

1996 Annual Report

# Jannock

Limited

building products for  
the construction industry

THE  
*Vinyl*  
GROUP

THE  
**METAL**  
GROUP

THE  
**BRICK**  
GROUP

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With a corporate office complement of only 17 people, Jannock Limited has grown to become one of North America's largest building-product providers. Decentralization is the key to this achievement. Jannock's three Business Groups – Vinyl, Metal and Brick – are all encouraged to develop their own strategies and manage their own assets and operations within the Jannock corporate guidelines. To better assist you in understanding this structure, the Groups have each prepared separate operations reports, which have then been incorporated into a fourth, consolidated report. The consolidated results will have greater value if read in conjunction with, or after, the operations results.



THE  
*Vinyl*  
GROUP

"Our challenge now is to maintain cost-control discipline in a period  
of rising demand for our products, as we invest in the new products  
and technologies that will fuel our future growth."

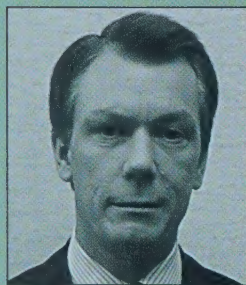
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## ***Business Profile***

The Vinyl Group is one of the three largest suppliers of vinyl siding, fencing, decking, windows and accessories to the residential building market in North America. The Group currently operates six vinyl plants, one in Canada and five in the United States. Its products are used primarily in the renovation and repair sector of the residential construction market. Vinyl products are also increasingly capturing market share in the new residential construction sector.

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## ***President's Message***



The Vinyl Group achieved record profits in 1996. During this period, we rationalized operations throughout the organization. As we make further inroads into the traditional market for wood-based siding, fencing and deck products, production efficiencies are going to be an increasingly important factor in our success.

At the same time, we are going to be required to maintain, and even enhance, our commitment to manufacturing quality products. In 1996, we received certification as an ISO 9000 company at all of our siding plants, a welcome confirmation of our focus on quality.

In each of our product lines – siding, windows, and fencing and decking – consumers are faced with a vast array of alternatives. We have to work hard to win, and keep, their business. We must also recognize, however, that our competitive strengths are many: we have an extensive North American distribution network; an enviable reputation for quality; and a lean, broadly-based manufacturing capability. Our business units are also staffed by the finest people in the industry.

Our challenge now is to maintain a cost-control discipline in a period of rising demand for our products as we invest in the new products and technologies that will fuel our future growth.

Sincerely,

A handwritten signature in dark ink, appearing to read "M. A. Russo".

MICHAEL A. RISSO

*President*

# 1996 in Review

## OPERATING

Total vinyl siding shipments increased by 8.4% in 1996 to a record 5.1 million squares. Group sales increased by 17.1% to \$356.7 million. This increase was due to three factors: the acquisition of Heritage Vinyl Products (now Outdoor Technologies), the inclusion of a full year's sales from the acquisition of Bird Vinyl Products and Kensington Windows in 1995, and overall growth in siding volumes.

United States sales climbed by 17%, from \$269.5 million in 1995 to \$315.6 million. Canadian sales in 1996 increased 16.8% to \$41.1 million, from \$35.2 million the previous year.

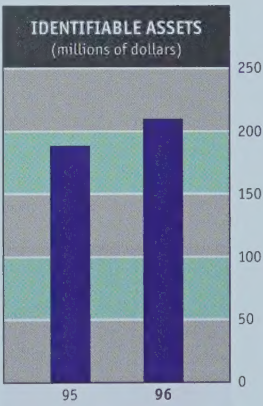
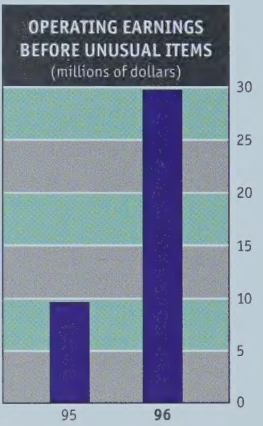
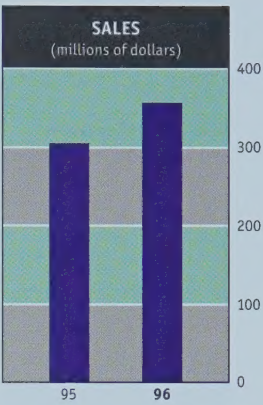
Overall, Vinyl Group's operating earnings before unusual items increased by 211% in 1996 to \$29.9 million. The key factors in these gains were lower raw material costs and greater siding volumes in both Canada and the United States.

The Group's United States earnings rose by over 93% to \$31.5 million. Canadian operations reported a sharply reduced loss of \$1.6 million in 1996, compared to a loss of \$6.7 million the previous year.

In 1996, the Vinyl Group consolidated its North American fence business and rationalized its siding business, resulting in an unusual items charge to earnings of \$11.0 million and decreasing operating earnings to \$18.9 million. The unusual items charge included costs for employee severance payments, equipment and personnel relocation, and fixed asset write-downs.

## SIGNIFICANT EVENTS

- In January, 1996 the Group purchased Heritage Vinyl Products of Macon, Mississippi for \$23.9 million. The Company was subsequently renamed Outdoor Technologies. The vinyl fence business operated by Daymond was relocated to Macon.
- In the fall of 1996, part of Daymond Building Products distribution operations were sold and the remaining siding plant was consolidated within the Group's Master Shield subsidiary.
- In December 1996, a marginal siding plant, in Sardis, Mississippi was closed and the volume transferred to another operation.
- During the year, two product lines were revamped: vinyl windows and vinyl fencing and decking.



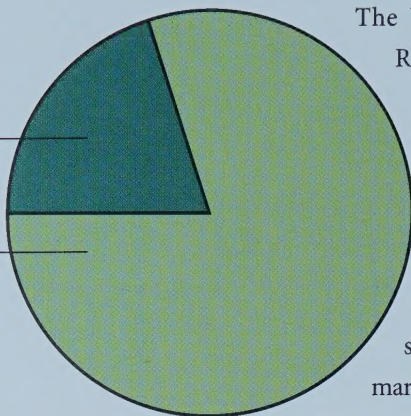
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## The Markets

### CONTRIBUTION BY MARKET SECTOR

New Residential  
Construction: 20%

Residential Renovation  
and Repair: 80%



The Vinyl Group serves primarily the Residential Renovation and Repair Construction sector, currently estimated to be worth about US \$130 billion in North America and growing. Exterior cladding represents a significant portion of that amount. The Group has an estimated 15% share of the United States vinyl siding market and an 18% share in Canada.

The United States market for vinyl siding expanded during 1996, reflecting sustained growth in the Residential Renovation and Repair sector as well as increased penetration of New Residential Construction. Vinyl is one of the few building materials which has recorded real growth during the 90's; alternative siding materials, such as wood and aluminum, continue to lose market share to vinyl products.

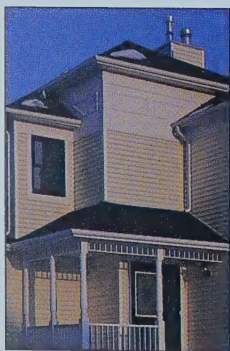
Many homeowners, seeking to improve their lifestyles, are upgrading or adding to their existing homes rather than moving. When the baby boom generation moves into its retirement years, we can also expect to see increased demand for low maintenance vinyl products, such as vinyl decks and fences.

Critical mass is key to the vinyl siding business both from the standpoint of production economics and timely delivery.

The company's vinyl siding businesses, taken together, constitute one of the largest producers of vinyl siding in North America. Each of the Group's business units is responsible for process improvement within its own market area.

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## The Products



The Group's product lines enjoy widespread and growing acceptance in the consumer marketplace. Vinyl is increasingly being recognized as a low cost, durable, and virtually maintenance free, cladding material that is an aesthetically pleasing and a practical alternative to wood siding. At the same time, the demand for vinyl windows is intensifying as homeowners upgrade their windows to reduce energy costs and improve their appearance.

For this reason, the Vinyl Group is developing and marketing new high-performance replacement window products, which represent a major market opportunity because of their relatively high margins.

To keep at the forefront of the industry, the Group maintains a centralized R&D facility which is responsible for enhancing existing products and developing new ones that can earn satisfactory returns. In many cases, Jannock Vinyl scientists work side by side with raw material vendors under stringent secrecy agreements to develop innovative materials and concepts.

For example, in 1996 the Group introduced dark-colour vinyl siding. In offering consumers a range of colour choices, the Group makes its product line fully competitive with higher maintenance paintable cladding. Its representatives are also working closely with installers to develop products that meet the needs of their most demanding and sophisticated customers.

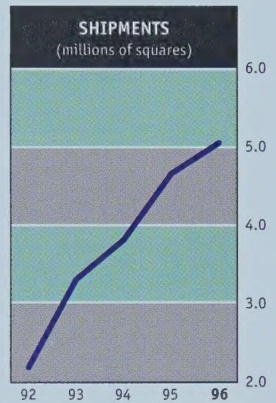
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## The Operating Strategy

A traditional market leader in the siding industry, the Group has become an active participant in the vinyl decking and fencing businesses with the purchase of Heritage Vinyl Products, since renamed Outdoor Technologies. In fact, the Vinyl Group now offers the broadest product range of residential fences, deck and garden accessory products in the industry.

The Group is well positioned throughout North America with excellent manufacturing facilities which should keep it in the first rank of the market for at least the next five years. The deck and fencing business has been consolidated at the Outdoor Technologies location and the Ontario fabrication facility has been closed.

Daymond Building Products' siding facility in Mississauga, Ontario has been merged with Master Shield, and will serve the northern, central and midwestern continental marketplace. This will complement Master Shield's Weatherford, Texas home facility.



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## The Businesses

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### HEARTLAND BUILDING PRODUCTS

From its plant in Booneville, Mississippi, Heartland produces premium-quality vinyl siding and accessories which are marketed through independent distributors. In 1996, it achieved a record year in both sales and profits.



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### MASTER SHIELD BUILDING PRODUCTS

Based in Weatherford, Texas, Master Shield markets a broad product line of exterior siding products to independent distributors as well as private-label customers. In 1996, it had record sales and profits. It now operates two facilities with its head office and home plant in Weatherford, Texas and the Daymond plant in Mississauga, Ontario which was recently merged with



Master Shield. The Ontario plant will continue to offer Daymond products in the Canadian market.



## ArmorBond



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### BIRD VINYL PRODUCTS

Since its acquisition in 1995, Bird has made considerable progress in improving its manufacturing capabilities and reducing costs. In 1996, sales and profits increased over the previous year's results.

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### ARMOR BOND BUILDING PRODUCTS

The business formerly managed by Armor Bond has been transferred to Bird, which operates from a 270,000 sq. ft. plant in Bardstown, Kentucky which is currently undergoing a \$6 million capital improvement program.

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### OUTDOOR TECHNOLOGIES

Outdoor Technologies is a market leader in the residential fence, deck and garden accessories business with the most extensive product line in the industry. It operates a fully integrated blending, extruding and fabricating facility in Macon, Mississippi and markets products under the following trademarks: Heritage, VinylGard, DuraVinyl and Garden Essence.

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### KENSINGTON WINDOWS

Kensington manufactures and markets replacement windows to the contractor/installer market. It produces the highest performance, fully welded vinyl windows in North America at its plant in Vandergrift, Pennsylvania.

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## Outlook



The average age of single family homes in North America is now in excess of 30 years. We believe that many homeowners will choose to upgrade the appearance of their homes by using vinyl siding to replace worn, faded or damaged cladding made of less durable materials. Since windows and doors are the largest single cost component in new home construction, we can expect to serve a growing market for high-quality replacement windows in the coming years.

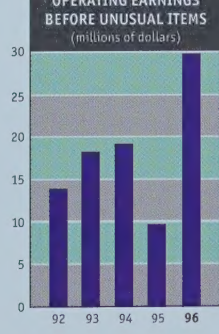
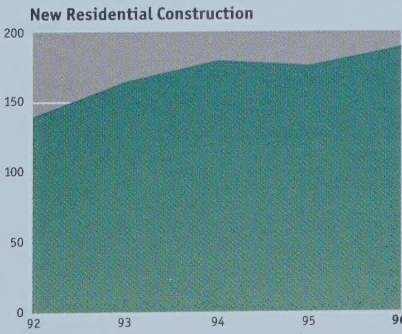
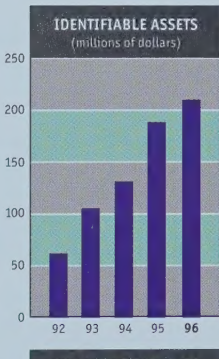
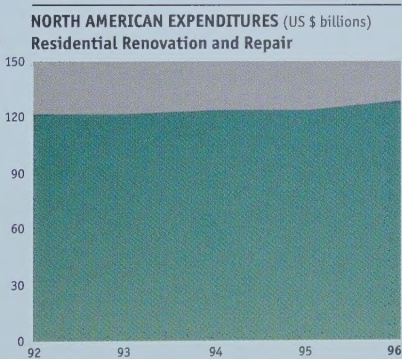
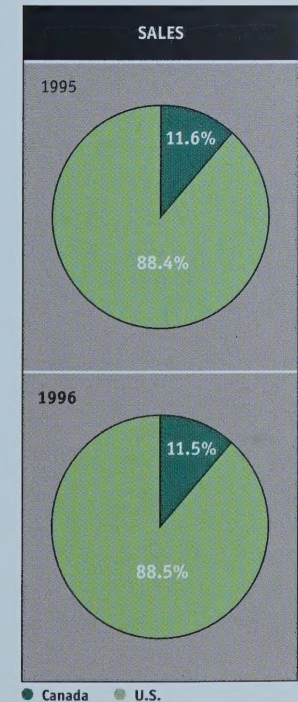
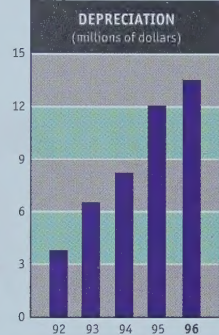
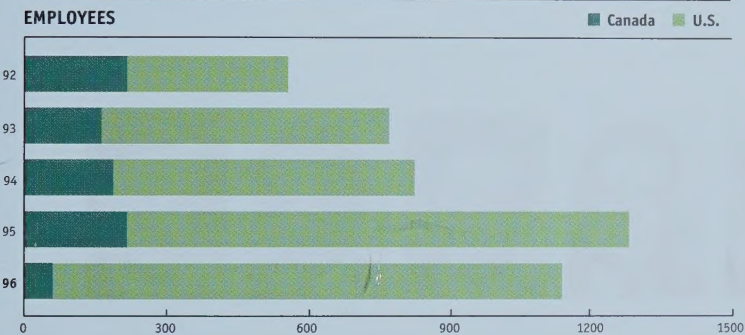
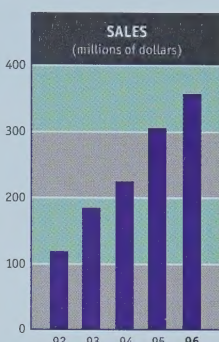
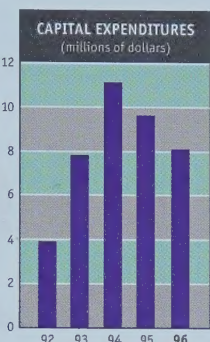
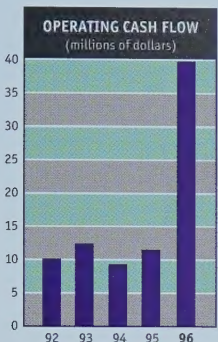
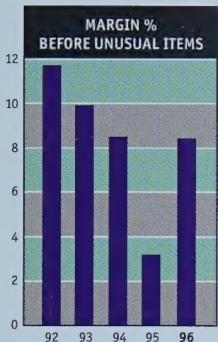
The future of the vinyl fencing and decking business is also promising because of its higher weatherability, its toughness, and its relative inexpensiveness when considered against other materials over its effective life span. Architects and home designers are also recognizing that vinyl can create a unique look for a wide variety of customized applications.

The vinyl industry is also likely to benefit from the continuing stable costs for resin – the raw material for manufacturing vinyl products.

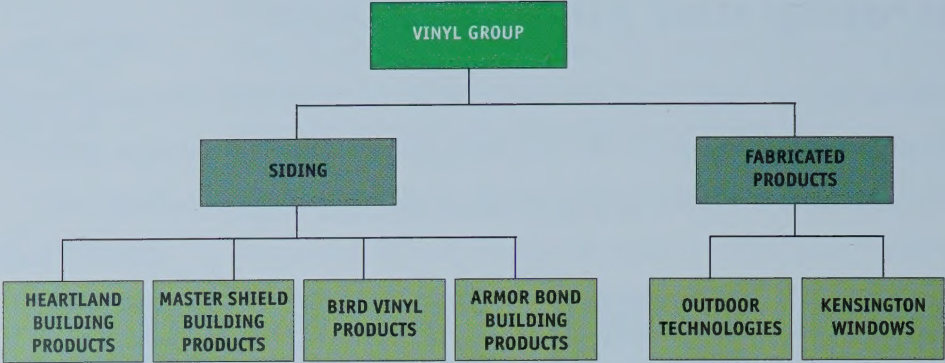
For these reasons, in the years ahead the Vinyl Group expects to continue playing a major role in contributing earnings to Jannock Limited and to maintaining its stature as a supplier able to meet the full range of needs of the North American construction industry.

# Operating and Financial Data

Over the past five years, Vinyl Group sales have grown by more than 200%. This growth has been largely due to increased demand for vinyl siding from the renovation and repair sector, as well as acquisitions of related businesses, such as vinyl fencing and decking manufacturers.



# Business Structure



**Richard G. Rowland**  
*Executive Vice President*  
Siding



**Gary A. Acinapura**  
*Executive Vice President*  
Fabricated Products



**Robert A. Keller, Jr.**  
*President*  
Heartland Building Products



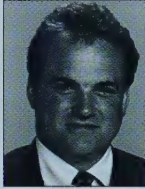
**Vernon W. Weber**  
*President*  
Master Shield Building Products



**William C. Kinsey**  
*President*  
Bird Vinyl Products



**Stephen C. Brown**  
*President*  
Armor Bond Building Products



**David H. Lawrence**  
*President*  
Outdoor Technologies



**G. Ronald Thomson**  
*President*  
Kensington Windows

## Locations

The Vinyl Group currently operates six vinyl plants; one in Canada and five in the United States. The Group is one of the three largest suppliers of vinyl siding, decking, windows and accessories in North America.





# THE METAL GROUP

"Jenisis has transformed itself, from a metal fabricator

into a marketing and distribution company with a large, loyal

and diversified customer base. For most of our customers,

reliable service and short lead times are the overriding considerations."

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## BUSINESS PROFILE

The Metal Group consists of Jenisys Engineered Products and Jannock's 50% interest in Ferrum Inc. Jannock has recently announced it has reached agreement to sell its interests in Ferrum. This Metal Group discussion therefore refers solely to Jenisys, which is Canada's largest fabricator of metal construction products, and a growing force in the United States. Jenisys provides a wide range of commodity and engineered products for construction applications. A key success factor is its ability to manage the process chain for its products, from raw material through manufacturing to distribution channels and to its various customer bases. It conducts operations out of 33 plants: 26 in Canada and seven in the United States.

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## PRESIDENT'S MESSAGE



In the construction markets we serve, the expectations of our customers have changed radically, in two ways. First, they demand much higher product performance than ever before, often requiring engineered solutions to meet their needs. Second, the pressure to increase their returns, and the resultant heightened emphasis on inventory control at the retail level, have created a need for suppliers to develop more efficient distribution mechanisms, including just-in-time delivery systems.

For most customers, reliable service and short lead times are the overriding considerations. Our task, then, is to be the lowest-cost producer and, at the same time, to constantly reassess our businesses to find better and more effective ways to meet customer needs.

In just four years, Jenisys has gone from being a debt-laden and loss-making company to a healthy operation with sustainable profits; at the same time, it has transformed itself from a metal fabricator into a marketing and distribution-driven company with a large, loyal and diversified customer base. This transformation has been achieved through the innovative thinking of the people in our Jenisys team.

I believe the strengths that have led to this change have become embedded in our culture and will deliver value for our shareholders through growth and even greater returns.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert H.R. Dryburgh".

ROBERT H.R. DRYBURGH

*President*

# 1996 IN REVIEW

## OPERATING

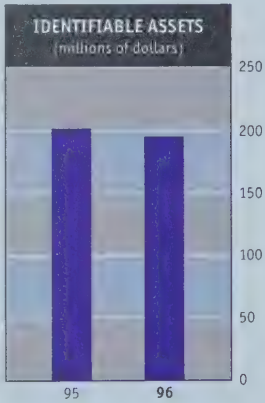
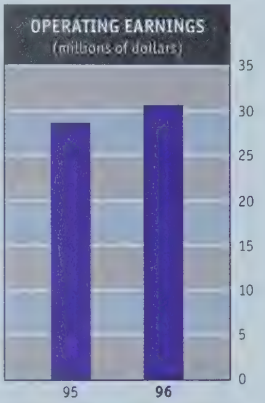
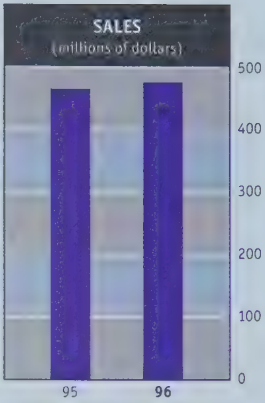
Sales at Jenisys (Canada) grew \$11.4 million to \$345.3 million, a 3.4% gain. The impact of increased grain bin and fertilizer bin sales in western Canada, as well as increased penetration in agricultural cladding, was moderated by several factors. Lower sales in the commercial/industrial building products were due to a sizeable decline in starts in Canada, as well as difficult weather conditions early in the year, and a decrease in government spending on infrastructure in central Canada.

Sales at Jenisys (United States), declined slightly, to \$128.8 million from \$131.1 million in 1995, as increases in the agricultural-products sector were offset by declines in the non-residential building products market.

Earnings for Jenisys grew to \$30.3 million in 1996, compared with \$28.1 million the previous year, reflecting its increased sales and improving margins.

## SIGNIFICANT EVENTS

- Effective April 3, 1996, Jannock Steel Fabricating Company changed its name to Jenisys Engineered Products, in order to more accurately reflect the changing nature of its business.
- Vicwest won the largest contract in the company's history due to the continued success of its innovative patented RainScreen Systems.
- Armtec won virtually all of the \$3.5 million water control products business in the \$650 million Annacis Island Waste Water Treatment plant in Delta, B.C.
- PG Bell won the contract to supply exterior cladding to the prestigious 35-storey Doosan office tower in Seoul, South Korea. This was the division's largest single undertaking ever, and its first in Korea.
- Jenisys announced plans to spend almost \$30 million on acquisitions and new equipment in 1997.
- Lorlea Architectural Systems Division, which manufactured and marketed architectural and curtain wall products for high-rise buildings, was closed.
- Jenisys initiated a widespread training and education program for the people in the organization.



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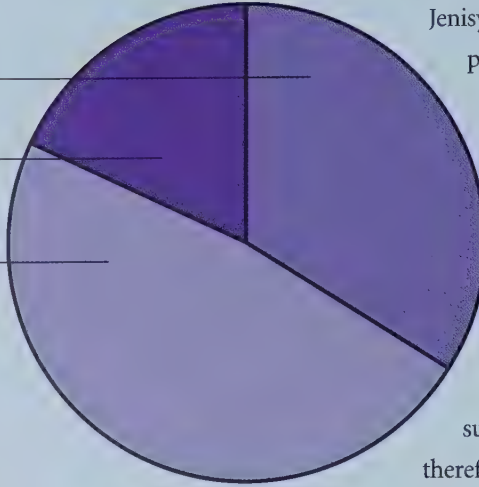
## THE MARKETS

### CONTRIBUTION BY MARKET SECTOR

Commercial/Industrial  
Construction: 34%

Infrastructure  
Construction: 18%

Agricultural  
Construction: 48%



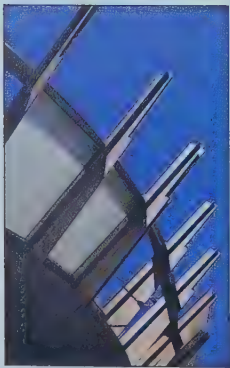
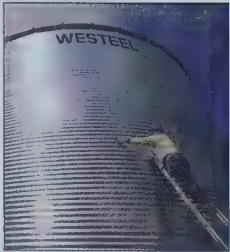
Jenisys is a manufacturer and distributor of products for three construction market sectors in North America: Agricultural, a US \$4 billion market which accounts for about 48% of sales; Commercial/Industrial, a US \$300 billion market which accounts for 34%; and Infrastructure, a US \$200 billion market which accounts for 18%.

Each of the markets that Jenisys serves is subject to different economic drivers and therefore different cycles. Approximately 73% of Jenisys' revenues are generated in Canada, making it the largest supplier of metal products into these markets and the only player with national representation.

Although Jenisys is a significant player in the US market, with a particularly strong market presence in the northwest, it does not have a national presence yet. Because of its geographic diversification across North America, however, Jenisys is cushioned from the impact of severe downturns in any specific region.

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## THE PRODUCTS



Jenisys provides two types of products to meet customers needs: commodities products, such as roof deck, floor deck and metal walls which are shipped directly to the customer in large volumes; and engineered products, which result from the Group's engineers and other professionals working with architects, designers and engineers on the customer side to develop project-specific solutions. Both are key to the Group's success.

In the Agricultural sector, for example, Jenisys provides barns, grain bins, storage tanks and light commercial cladding for the retail market, as well as engineering and manufacturing buildings and systems to meet specific needs of larger customers.

Products for the Infrastructure Construction sector include sluice gates for sewage treatment plants, highway retaining walls, culverts and a wide range of other commodity and custom products.

All five of the business units under the Jenisys umbrella have engineering departments which design, detail and test products to meet the needs of customers both within North America – and around the world.

# THE OPERATING STRATEGY

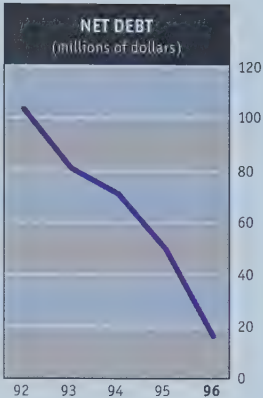
Jenisys' objective is to become the market leader through effective partnerships with customers and suppliers, aggressive new product development, excellent customer service, and superior product quality.

Jenisys is the major force in the metal building-products market in Canada and is establishing a strong competitive presence in the United States. The company intends to build value for Jannock shareholders through internal growth and through "bolt-on" acquisitions. In the United States, the emphasis will be on product and geographic diversification.

A decade ago, barriers to entry into the markets which Jenisys serves were low, since capital assets were relatively easily acquired. That situation has changed significantly in recent years. In today's market, a company needs to have critical mass to compete successfully.

Among other things, this means having the volume to negotiate delivery schedules with steel suppliers, the capacity to maintain an effective just-in-time delivery system, and the in-house engineering capability to create unique products.

As a result, the power of Jenisys' relationships with suppliers and customers, its national local marketing positions, its internal systems for managing the flow of product, and its management culture represent very significant entry barriers to would-be competitors.



For the purposes of comparison, results in 1992 and 1993 are for 100% of Jenisys' operations, despite the fact that Jannock held a 50% interest at that time.

# THE BUSINESSES

## VICWEST

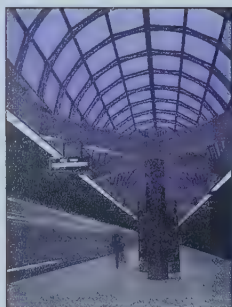
Vicwest is the only national roll forming company servicing the Agricultural and Commercial/Industrial markets with profiled steel and aluminum products, as well as roofing materials. Customers are serviced from 11 branch locations with plant and warehousing facilities in Surrey, Edmonton, Saskatoon, Regina, Winnipeg, Stratford, Stoney Creek, Oakville, Victoriaville and Moncton. Vicwest (US) has a strong presence in the agricultural sector in the northwest United States and a growing presence in many other regions of the country. Its Commercial/Industrial business is served from Dallas, Texas.



## ARMTEC

Armtec has been providing engineering solutions to meet the challenges of the heavy construction/civil engineering market for over 80 years. Its head office is located in Guelph, Ontario, with sales offices and factories located across Canada. Armtec's major products include corrugated steel pipe, water control gates and accessories, and engineered products such as tunnel liner plates, retaining walls, guard rails, multi-plate structures, super-span ridges and metal floor grating. The company also distributes a comprehensive line of geosynthetics.





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## WESTEEL

Westeel operates from five manufacturing facilities across western Canada, in Manitoba, Saskatchewan and Alberta, with sales and warehouse facilities in Quebec and North Dakota. The company's products are used to store cereal grains, oil seeds, animal feed, granular fertilizer, anhydrous ammonia fertilizer and petroleum products.

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## PACIFIC WESTEEL

Based in Burlington, Ontario, Pacific Westeel has grown to become Canada's largest designer and manufacturer of material storage systems.

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## PG BELL/ENAMELTEC

PG Bell is a supplier of architectural systems in porcelain enamel. It produces panels for the exterior and interior cladding of buildings, chalkboards and marker boards for schools and hidesheets for the leather tanning industry. Production is carried out in its Georgetown, Ontario facility. The company ships products throughout the world, including China, Hong Kong, Mexico, Singapore, South Africa and Taiwan as well as Canada and the United States.

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# OUTLOOK

Jenisys has excellent opportunities for growth. Over the coming years, purchasing power is expected to shift from local to regional buyers, and pricing leverage from steel suppliers to their customers. By emphasizing design and technical support, Jenisys has used its experience to develop strong relationships with leading steel suppliers, coil coaters, national distributors and local end users.

While the United States operation intends to expand into the Commercial/Industrial and Residential sectors, it will also maintain its close focus on the agricultural sector in which it has a proven rate of success. Growth will be based on both acquisitions and greenfield investments.

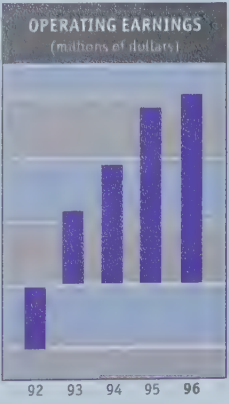
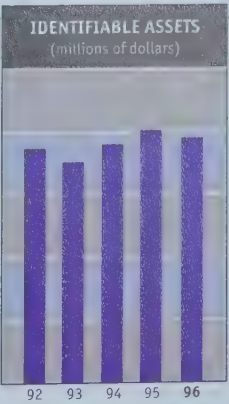
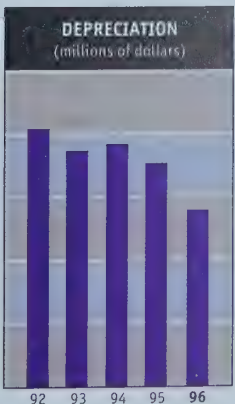
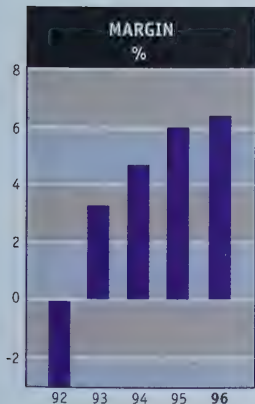
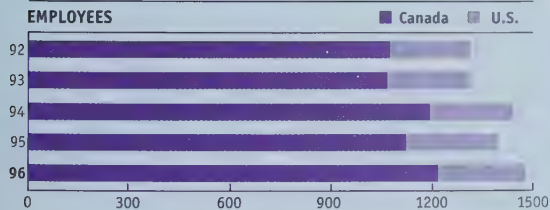
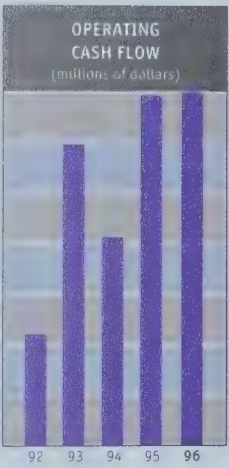
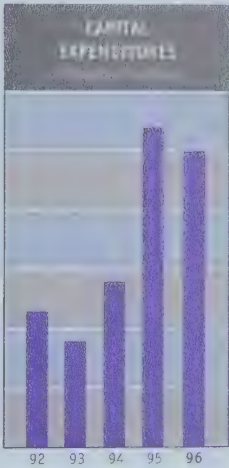
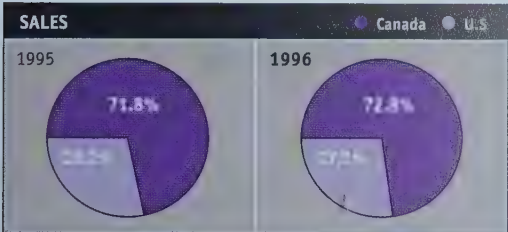
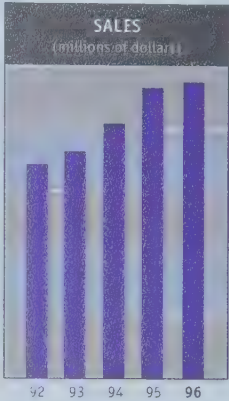
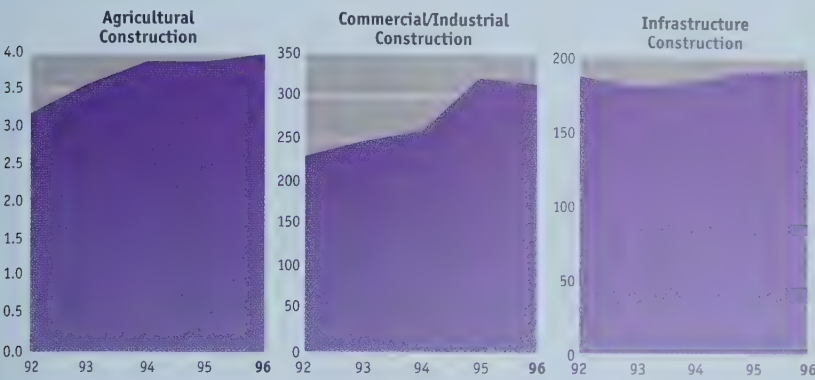
In the Residential sector, the improved appearance and growing aesthetic acceptance of metal products, combined with their low life-cycle costs and rising wood prices, make them attractive alternatives to builders. In Commercial/Industrial markets, metal is increasingly replacing other product materials, due to its long life, fire resistance and low maintenance.

All of these factors suggest that the North American metal products industry will be healthy and growing over the next decade. By careful diversification and a strong emphasis on the development and delivering of high-quality, value-added products, Jenisys is well positioned to improve on its current status as a respected and profitable industry leader.

# OPERATING AND FINANCIAL DATA

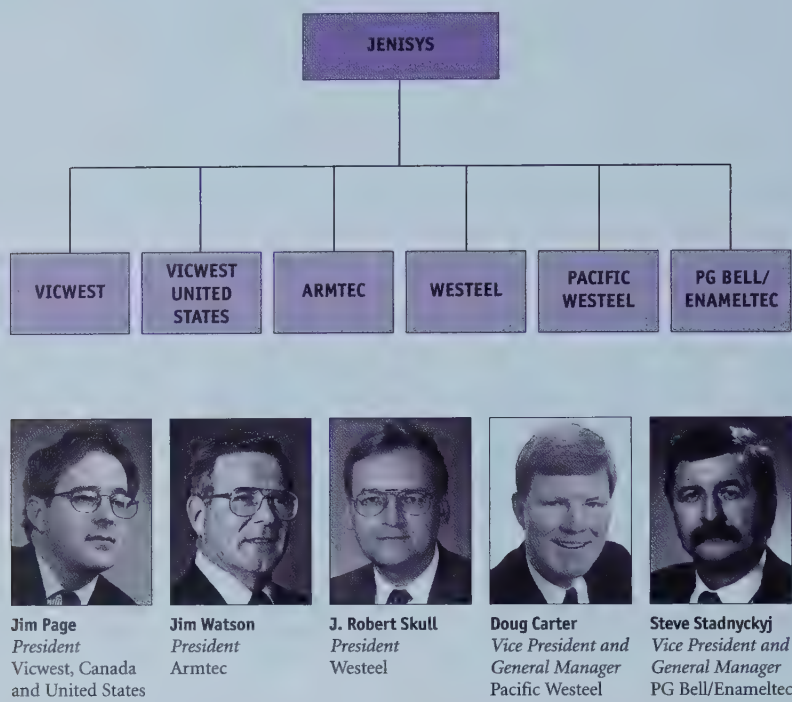
Over the past five years, Jenisys sales have grown by 39%. This growth is due to development of North American markets for both commodity products, such as steel roofing, and for engineered products built to exacting customer specifications. The Group achieved record operating earnings in 1996.

NORTH AMERICAN EXPENDITURES (US \$ billions)



For the purposes of comparison, results in 1992, 1993 and 1994 are for 100% of Jenisys' operations, despite the fact that Jannock held a 50% interest for most of that time.

# BUSINESS STRUCTURE



# LOCATIONS

Jenisys conducts operations out of 33 plants: 26 in Canada and seven in the United States.





THE  
**BRICK**  
GROUP

"In 1996, Canada Brick achieved a dramatic turnaround in earnings.

We also achieved strong performance in our United States market.

The outlook for 1997 is favourable in all market regions. We are confident

that brick manufacturing will represent one of the most stable and profitable businesses in the building products industry."

---

## **BUSINESS PROFILE**

As North America's second largest manufacturer of clay brick, with an estimated total production capacity of 1.3 billion bricks per year, Jannock's Brick Group operates five plants in Canada and 14 in the United States. Virtually all of the Group's production is extruded clay brick, which is marketed in a wide range of sizes, colours and textures for use in both residential and non-residential construction. The Group is committed to growth through expansion of its divisions into new and existing markets, and through strategic acquisitions.

---

## **PRESIDENT'S MESSAGE**



Over the years, the Brick Group has expanded through internal growth and acquisition and is now a leader in the North American marketplace. A key factor in our success has been the autonomy given to operating management. This allows them to respond quickly to changing local conditions. As well, the organization benefits from cross-divisional sharing of knowledge and experience.

We also continue to enjoy the competitive advantage of a long-standing consumer preference in North America for brick construction, which provides an opportunity to increase market penetration in the years ahead.

The Brick Group's commitment to maintaining value for Jannock shareholders is evidenced by our progress in a number of key areas. For example, in 1996 Canada Brick achieved a dramatic turnaround in earnings. We also achieved strong performance in US markets despite an extremely competitive business environment.

The outlook for 1997 is favourable in all the market regions served by the Group. We are confident that brick manufacturing will represent one of the most stable and profitable businesses in the building products industry.

Sincerely,

A stylized handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

VICTOR C. HEPBURN

*President*

# 1996 IN REVIEW

## OPERATING

Total shipments in 1996 increased by 19.1% over the previous year, to 1,066 million bricks. Canadian brick shipments increased by 22.3%, to 258.7 million. US shipments improved over 1995 by 123.5 million bricks, with over half that increase resulting from the Group's acquisition of Southern Brick in early 1996.

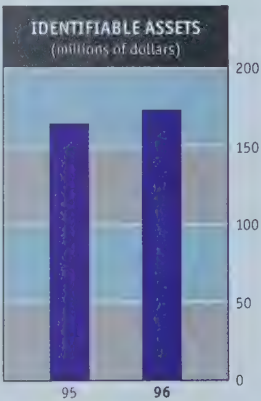
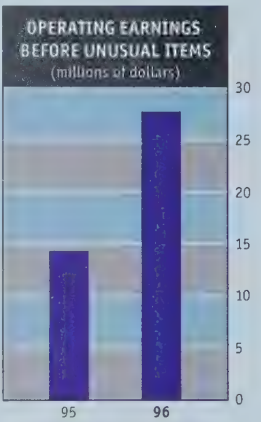
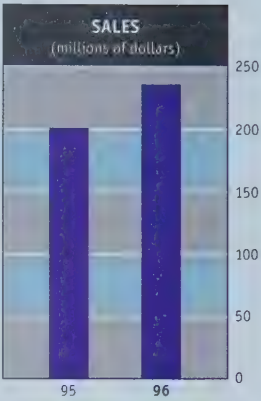
Total Brick Group sales increased 17.5% to \$235.9 million. Canadian brick sales increased by 11.2% to \$59.3 million, while in the United States sales were up \$29.1 million, or 19.7%, to \$176.6 million, largely due to increased housing starts in both countries.

Brick Group's operating earnings increased 89.7% to \$27.7 million, from \$14.6 million in 1995. More than 80% of this increase was due to significant restructuring and a successful turnaround in Canadian brick operations. Renewed focus, cost containment and other management initiatives, together with increased housing starts, contributed to the improved performance in 1996.

In the United States, operating earnings increased 10.8% in 1996, to \$25.7 million, reflecting improved consumer confidence and increased housing starts, which rose 8% over the previous year.

## SIGNIFICANT EVENTS

- The Jannock Board of Directors approved the construction of a 60-million capacity brick plant in Elgin, Texas, which is expected to be operational in 1999. This energy-efficient plant will incorporate the latest manufacturing technologies, including robotics, to achieve greater product flexibility, enhanced quality and lower costs.
- In January 1996, the Group acquired Southern Brick for \$11 million, which was successfully merged into its subsidiary, Richtex located in Columbia, South Carolina, thus adding 40% to production capacity in another region presenting significant growth opportunities.
- Canada Brick experienced a dramatic turnaround in 1996. A series of aggressive management initiatives, including the closure of several marginal operations and the refocusing of resources on the more profitable core business, resulted in significantly improved earnings.
- Strong results were realized at all US Brick divisions, particularly in Texas and the Carolinas.



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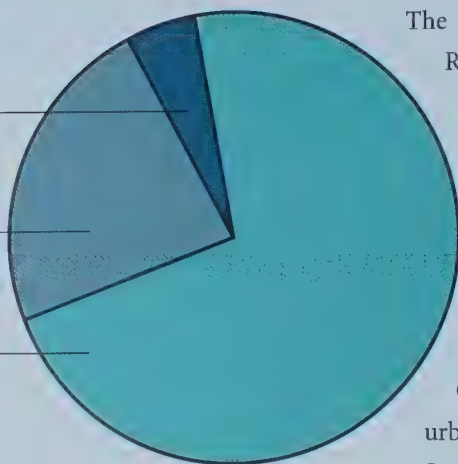
## THE MARKETS

### CONTRIBUTION BY MARKET SECTOR

Residential Renovation  
and Repair: 6%

Commercial/Industrial  
Construction: 23%

New Residential  
Construction: 71%



The Brick Group serves three market sectors: New Residential Construction, which represents about 71% of its deliveries; Commercial/Industrial Construction, which accounts for about 23%; and the Residential Renovation and Repair sector which receives the remainder.

Due to the high cost of transportation, brick is normally marketed within a 300-mile radius of its site of manufacture. For this reason, the Brick Group's operations are located in or near major urban centres in key high-use markets, including southern Ontario, Quebec, Texas, North and South Carolina,

Mississippi, Michigan and Kentucky.

The Group's core strategy is to achieve and sustain market leadership in the regions in which it competes. On a national basis, Jannock estimates its penetration of the Canadian brick market to be about 73% and about 12% in the United States. In its US regional markets, the Group has an estimated market penetration above 20%.

Through innovative marketing, improved production efficiencies and strategic acquisitions of established brick manufacturers, the Brick Group plans to expand its market share across North America in a controlled and prudent manner.

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## THE PRODUCTS



The company manufactures two basic types of brick: extruded clay and limestone. More than 95% of the company's production is extruded clay brick, while limestone brick is produced exclusively at a small plant in San Antonio, Texas to meet market demand.

The Group closely monitors consumer preferences in colours and textures and is constantly developing new products that reflect those preferences. Rolled edges and random indentation are among the features incorporated into today's brick designs as a result of customer demand.

Jannock also distributes a thin-brick wall system under the name "US Brick Systems." Marketed throughout North America and overseas, this product is used in wall panels for both exterior and interior applications.

# THE OPERATING STRATEGY

The Brick Group is committed to achieving strong positions in each of its markets, by employing the latest technologies to manufacture its products. At the same time, its long-term strategy calls for a constant effort to reduce operating costs, while balancing production capacity to meet the needs of the marketplace.

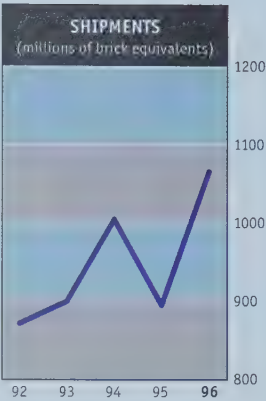
The Group's operating divisions have established strong identities in their chosen markets through regional marketing programs which support growth strategies. In addition, its US divisions are strong supporters of various industry marketing programs to increase public awareness of brick as a durable, cost-effective building material.

Canada Brick ships extruded clay brick from four plants in Ontario and one in Quebec. These five plants represent about 70% of the manufacturing capacity of the extruded clay brick market in eastern Canada.

The Group first entered the US brick market in 1976 by purchasing a plant in Michigan. It has since acquired, and now operates, 13 other facilities in Kentucky, North Carolina, South Carolina, Texas and Mississippi. It is a major competitor in each market area in which its plants are located.

All the Group's plants are in good condition and no major renovation programs are planned. Jannock owns all the lands on which its Canadian plants are located.

Shale is the principal raw material used in the manufacture of clay brick and is supplied primarily from company-owned sources. Based on anticipated production levels, the Group's shale reserves are expected to be sufficient to supply its plants in both Canada and the United States for at least 25 years.



# THE BUSINESSES

## BRIQUETERIE ST. LAURENT / CANADA BRICK

Canada Brick and Briqueterie St. Laurent are market leaders in Canada. They enjoy outstanding reputations for quality products and exceptional service, which has earned them a three-quarter share of the entire eastern Canadian brick market. Canada Brick's plants in Mississauga, Burlington and Ottawa are the primary source of bricks for the Ontario market, while Briqueterie St. Laurent's operating plant at La Prairie is the primary supplier to the Quebec market.



## MICHIGAN BRICK

Michigan Brick is the only in-state brick manufacturer supplying metropolitan Detroit and other major regional markets. This represents a significant competitive advantage. Michigan Brick enjoys long-standing relationships with its customers and the markets it serves.





**Richtex**



**REAL  
BRICK**

Products, Inc.



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#### **SIPPLE**

Sipple markets a superior range of products from its two plants in Kentucky, serving a market extending from New York and Boston in the east, to Chicago in the west. It serves both the residential and commercial sectors with brick products in a variety of sizes and colours.

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#### **BOREN BRICK**

Boren Brick is a major participant in North Carolina, the largest brick-making state in the United States. The division focuses primarily on the residential market, but also distributes brick and other building materials through company-owned masonry outlets.

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#### **RICHTEX**

Richtex is the industry leader in South Carolina. It benefits from the superb raw materials available locally. Richtex enjoys an industry-wide reputation for innovation, quality and range of products.

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#### **US BRICK, TEXAS**

The Texas plants are strategically located to service the largest brick consumption state in the US. The Texas construction industry is expected to enjoy significant growth. In anticipation of this growth, plans are underway for the construction of a state-of-the-art brick manufacturing facility.

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#### **REAL BRICK PRODUCTS**

Real Brick markets an insulated, thin-brick masonry wall system which can be used for interior and exterior applications in both new construction and renovation. Many original equipment manufacturers of fireplaces, panels and other products also incorporate Real Brick in their designs. The product is distributed in the US and overseas.

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## **OUTLOOK**

In Canada, growing consumer confidence and low interest rates suggest that the construction industry will show continued growth this year. Many analysts believe that the cyclical recovery now underway may continue into the next century.

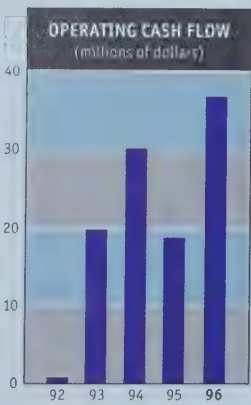
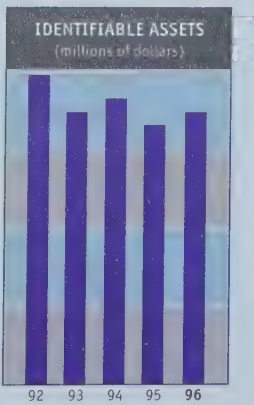
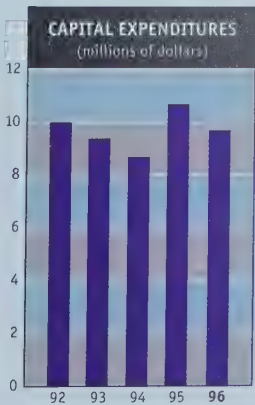
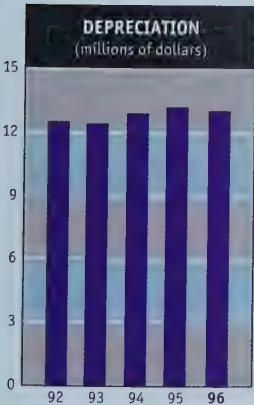
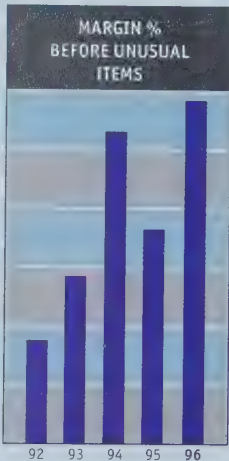
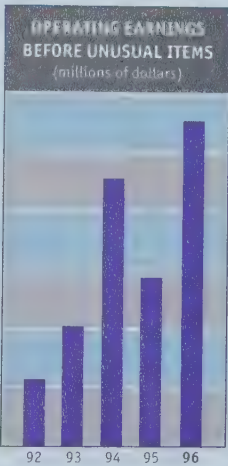
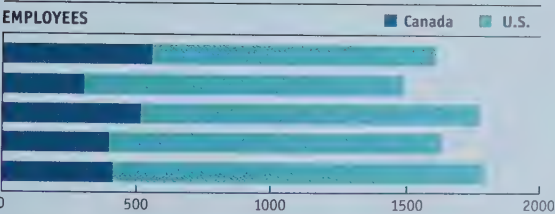
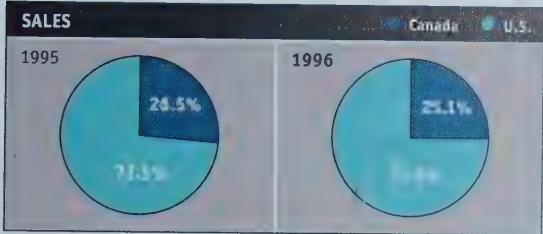
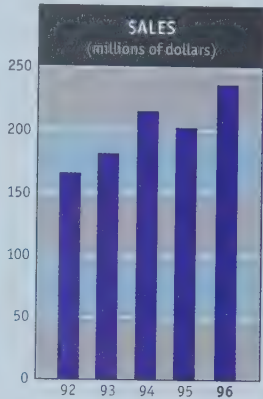
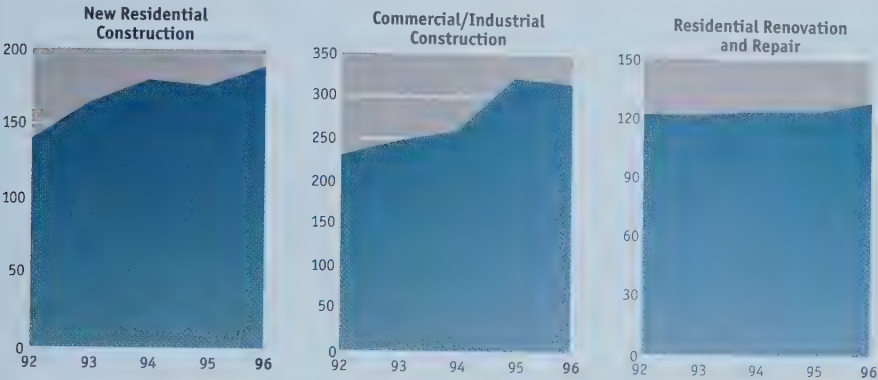
In the United States, interest rates are expected to remain stable in the medium-term, making new home purchases attractive. Housing starts are expected to remain relatively steady with continued strength in the south, our primary marketplace.

The Group will continue its focus on rigorous asset management, developing its product offerings to focus on market segments which are capable of delivering satisfactory returns. At the same time, the positive economic environment will mean increased demand for brick, and create upward pressure on margins and profitability.

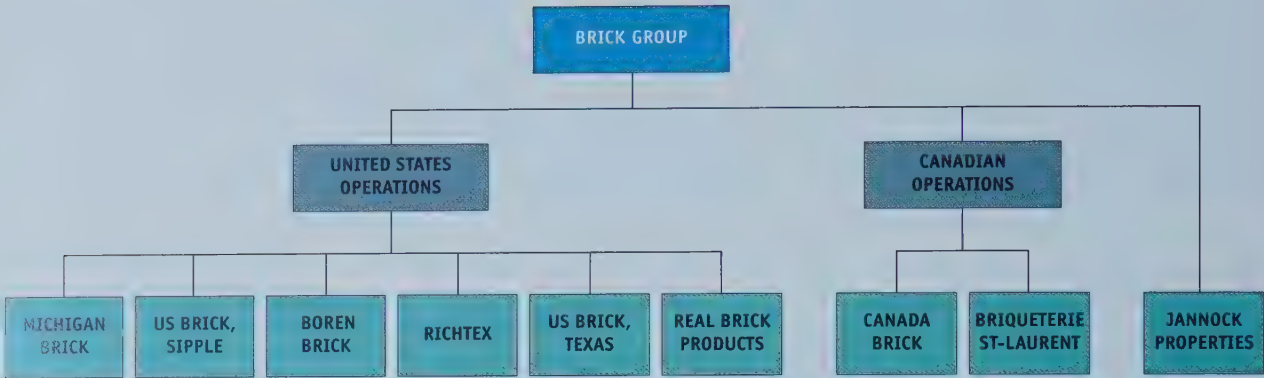
# OPERATING AND FINANCIAL DATA

Over the past five years, Brick Group sales have grown by 44%, despite a sluggish Canadian residential construction market. A major cost restructuring in Canada, together with continued strong United States performance, resulted in a 90% gain in Group operating earnings in 1996, compared to 1995.

NORTH AMERICAN EXPENDITURES (US \$ billions)



# BUSINESS STRUCTURE



**Carl Barisich**  
*President and General Manager*  
Michigan Brick



**William Harrison, Jr.**  
*President and General Manager*  
US Brick, Sipple



**W. Ronald Epps**  
*President and General Manager*  
Boren Brick



**S. Bruce Beuchler**  
*President and General Manager*  
Richtex



**Ray W. Rohlf**  
*President and General Manager*  
US Brick, Texas



**Robert W. Bauer**  
*President and General Manager*  
Real Brick Products



**Steven R. Poxon**  
*President*  
Canada Brick and Briqueterie St-Laurent



**D. Mitchell Fasken**  
*Vice President*  
Jannock Properties

# LOCATIONS

The Brick Group operates five plants in Canada and 14 in the United States, with an estimated total production capacity of 1.3 billion bricks per year.



- Plants
- Distribution Centres

1996 Annual Report

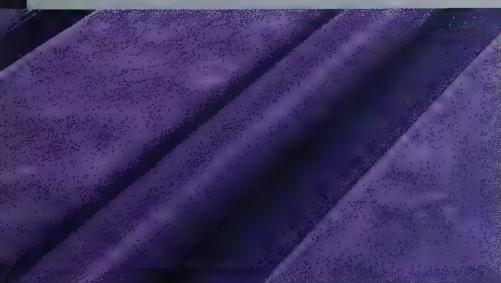
# Jannock

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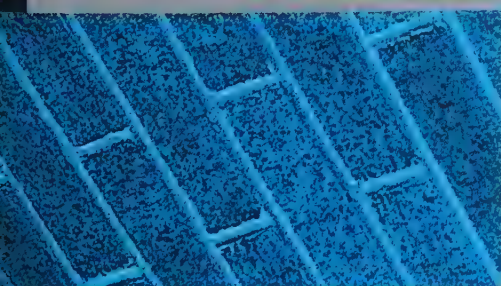
building products for  
the construction industry



THE  
*Vinyl*  
GROUP



THE  
**METAL**  
GROUP



THE  
**BRICK**  
GROUP

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# Corporate Profile

## CURRENCY

All currency amounts are expressed in Canadian dollars unless otherwise indicated. US revenues and expenses have been translated using the average rate of exchange for the month in which the transactions occurred. The average rate for the year was US\$1.00 = Cdn\$1.36.

## ANNUAL MEETING

Jannock Limited's Annual Meeting of Shareholders will be held on Tuesday, April 29, 1997 at 11 a.m. on the Trading Floor of the Design Exchange, 234 Bay Street, Toronto-Dominion Centre, Toronto, Canada. All shareholders are encouraged to attend.

Jannock Limited manufactures and distributes building products for the construction industry throughout North America. The Company's three Business Groups, Vinyl, Metal and Brick, serve the New Residential, Residential Renovation and Repair, Commercial/Industrial, Agricultural, and Infrastructure sectors. Recognizing that construction is a highly cyclical industry, Jannock's strategy is to manage its capital in a manner which retains value during economic downturns and supports significant growth during periods of recovery. The Corporation actively seeks opportunities for both internal expansion and strategic acquisitions. At the same time, investments must be consistent with Jannock's conservative approach to funding its development in North American and international markets. Jannock considers its policy of demonstrated leadership in social, environmental and ethical responsibility, to be an essential factor in building long-term shareholder value. Jannock also believes that providing employees with empowerment, and a wide range of opportunities for personal development, is fundamental to enduring business success.

# Performance Against 1996 Objectives

## Objective

## Performance

### OPERATING EARNINGS

Increase operating earnings by 40% or \$22 million

Operating earnings increased by 71%, or \$39 million, as a result of contributions from all three Business Groups. Canadian Operations contributed approximately two-thirds of this improvement. In the third quarter, the Company achieved the best quarterly operating earnings in its history.

### FUNDING

Reduce leverage to 35%

Leverage was reduced 8 percentage points, to 33.4%, at 1996 year-end. This reduction was achieved through: rigorous management of working capital; the sale of underperforming assets; and strong operating earnings.

### ACQUISITIONS

Complete two strategic acquisitions

Acquired Southern Brick Company for \$11.0 million and Heritage Vinyl Products (renamed Outdoor Technologies) for \$23.9 million. Southern Brick added capacity in a high-growth market. Outdoor Technologies enabled the Vinyl Group to expand its presence in the US fencing and decking businesses.

### INVESTOR RELATIONS

Initiate a comprehensive investor relations program

Initiated survey of analysts to determine their understanding of the Company. Established a regular program of live meetings and conference calls to take place within 48 hours of the release of each quarter's earnings.

## 1997 Objectives

### OPERATING EARNINGS

Increase operating earnings from core Vinyl, Metal and Brick operations by at least 10%.

### FUNDING

Maintain leverage below 35% at 1997 year-end.

### ACQUISITIONS

Complete at least two strategic acquisitions.

### INVESTOR RELATIONS

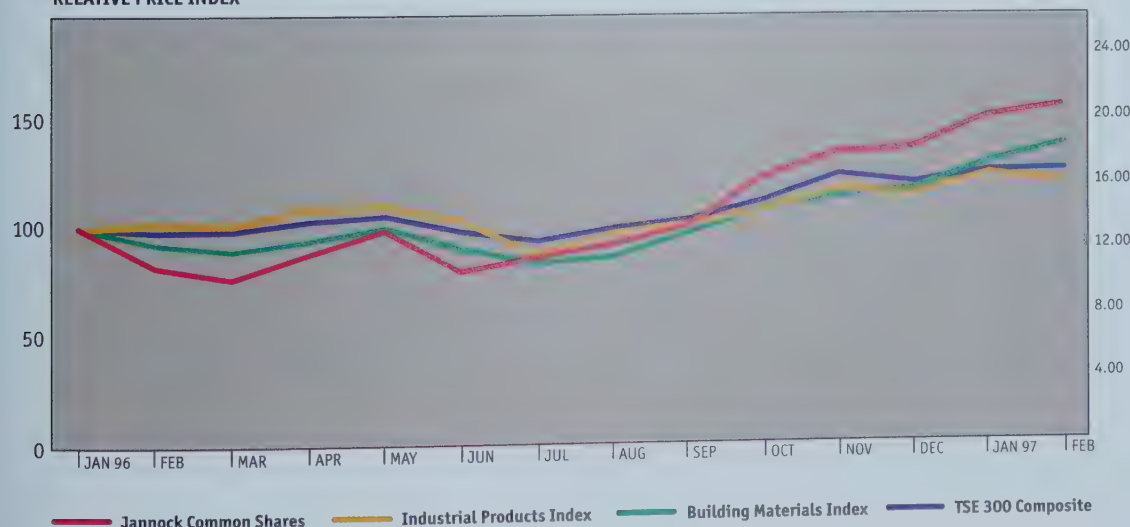
Expand the investor relations program, begun in 1996, into the United States, with special emphasis on the New York and Boston financial markets.

3

# 1996 Share Price Performance

RELATIVE PRICE INDEX

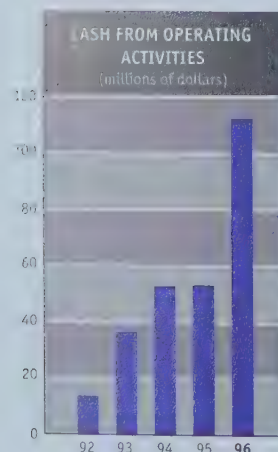
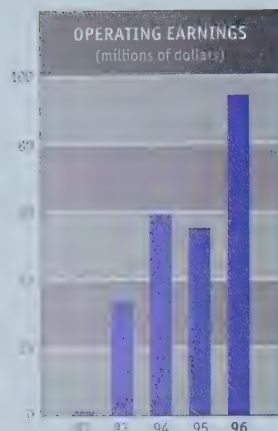
JANNOCK SHARE PRICE



# 1996 in Review

## Corporate Highlights

### OPERATING AND FINANCIAL DATA



#### OPERATING

As at December 31 (millions of dollars, except per share amounts)

	1996	1995
Sales	1,239.3	1,148.2
Net earnings	50.7	19.7
Basic earnings per share (\$)	1.65	0.61
Cash flow from operations	112.9	53.5

#### KEY RATIOS

For the years ended December 31

	1996	1995
Operating margin (%)	7.3	4.9
Current ratio	1.8:1	1.8:1
Net debt to total capitalization (%)	33	41
Return on Common shareholders' equity (%)	16.4	6.3

#### FINANCIAL POSITION

As at December 31 (millions of dollars, except per share amounts)

	1996	1995
Total assets	732.9	699.3
Working capital	163.3	141.5
Shareholders' equity	343.3	306.1
Book value per share (\$)	10.84	9.63

## Significant Events

- In January 1996, in two separate transactions, we purchased the businesses of Southern Brick Company and Heritage Vinyl Products (renamed Outdoor Technologies) for a total consideration of \$34.9 million.
- In February 1996, Jannock reduced the quarterly dividend rate, on its common shares, from \$0.20 per share to \$0.125 per share.
- In February 1996, the holders of the Company's bond purchase warrants exercised their rights to purchase US \$107 million of bonds. The proceeds were used to pay down amounts outstanding under revolving bank term credit.
- In May 1996, Jannock obtained shareholder approval of a Shareholder Protection Rights Plan.
- In May 1996, Jannock Steel Fabricating was renamed Jenisys Engineered Products, to better reflect the change in the nature of its business.
- In September 1996, Jannock announced the sale of its 80% interest in Celfortec and closed the associated cement panels business.
- In March 1997, Jannock announced that it has reached agreement to sell its 50% interest in Ferrum Inc. Closing of this transaction is expected to be completed by April 30th, 1997.

## Review of Operations

Jannock's consolidated sales for 1996 grew by 7.9% to \$1,239.3 million. Vinyl Group sales increased by 17% in 1996, Metal Group sales rose 2%, and Brick Group sales were up 17.5%.

Consolidated operating earnings increased by 70.6% in 1996, to \$94.5 million, as a result of solid performance from all three Business Groups. Vinyl Group operating earnings (before restructuring) were its highest ever at \$29.9 million. Metal Group operating earnings of \$42.9 million were its best-ever results. Brick Group operating earnings of \$27.7 million represented a 90% gain over the previous year (excluding 1995's restructuring costs). Included in the 1996 operating earnings is an unusual items gain of \$2.6 million, comprised of a \$13.6 million gain from the sale of the Insulation business, partially offset by a Vinyl Group restructuring charge of \$11.0 million.

Jannock's operating margins were 7.3% in 1996, compared with 4.9% in 1995.

Net earnings increased by 157% in 1996.

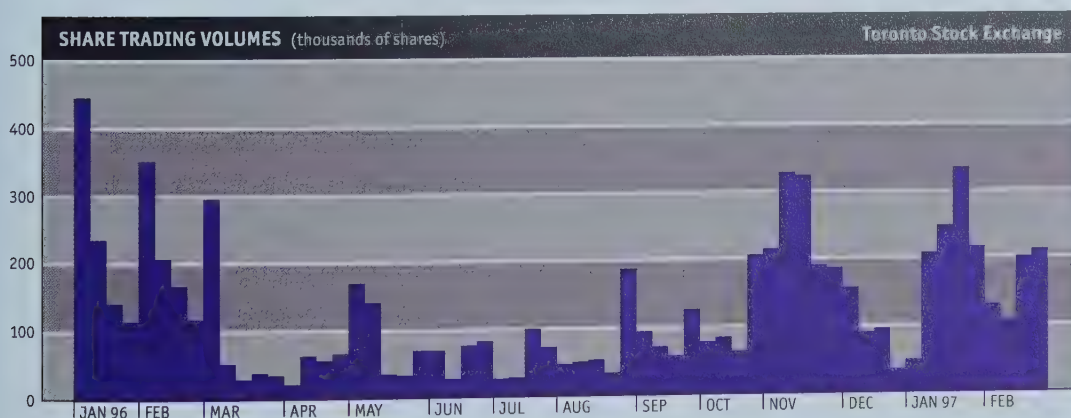
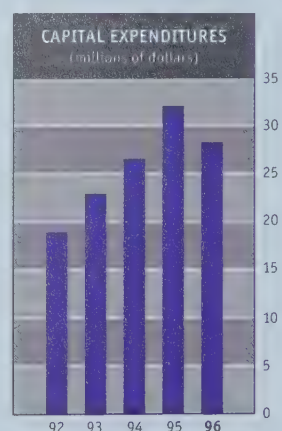
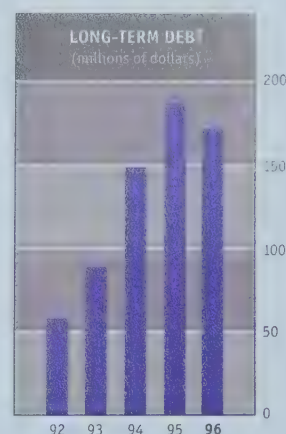
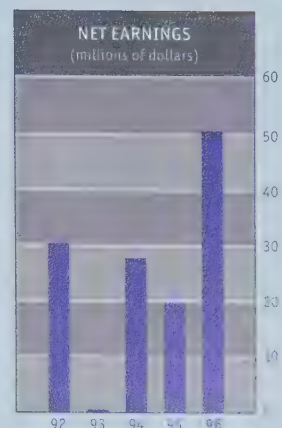
## Financial Review

Total assets increased by 4.8% over the previous year, to \$732.9 million, mainly due to acquisitions. Total net debt was reduced by \$45.2 million, despite acquisition costs of \$34.9 million. By the end of 1996, leverage had been reduced from 41% to 33%.

Total capital spending, including the cost of acquisitions, was \$63.2 million, compared with \$96.8 million in 1995. This decrease was due to the lower level of acquisitions in 1996.

Working capital, at December 31, 1996, was \$163.3 million; an increase of \$21.8 million from the previous year.

Earnings per share were \$1.65 in 1996; a gain of 171% over the previous year. Shareholders' equity increased 12.2% to \$343.3 million. Return on Common equity was 16.4%; the highest since 1988.



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## Fellow Shareholder:

What a rewarding year this past one has been. The growth in our results reflects well on our many years of hard work. It also confirms the validity of the strategy to which we have been committed. In short, we have stayed the course and, as a result, shareholder value has been enhanced.

At the heart of our strategy has always been the word FOCUS. At the beginning of this decade, we determined to focus all of our energy on changing Jannock into a premiere building products company for the 21st century. That has meant a total and unequivocal revamping of

the organization. We divested ten of our thirteen businesses, we added one new one, and we undertook major restructuring programs in the other three.

On March 17th, we announced our intention to sell our 50% interest in Ferrum Inc. to Copperweld Corporation, a United States based company which manufactures hollow structural tubing and high-precision

mechanical tubing. The sale is important because it completes the disposal of our non-core assets and further strengthens our already sound balance sheet. It also frees us to concentrate our energies exclusively on the growth of our building products businesses.

You will see that we have structured this year's report to clearly delineate and separate each of our three Business Groups. Our intent is that you more clearly understand the focus, the performance and the geographic positioning of each. You will also see how, like the colour spectrum, they can be complementary to each other within the context of the huge North American construction market.



James W. I. Bennett  
Chairman and CEO



Robert J. Atkinson  
President

BALANCE is another core tenet of our strategy. Our belief has been that balance can be a major factor in the management of risk. The principal risk for us has been the volatility of the business cycles associated with the construction industry. To manage it, we have needed to understand it. In understanding it, we have seen that it works very differently than it did just a decade ago.

It used to be that economic downturns were national ...or even international affairs. Not so, any longer. Witness 1990. The northeast suffered extreme economic difficulties, but there was relative stability in the west and south. The Commercial/Industrial Construction sector had a difficult time of it, but the Residential Renovation and Repair sector remained quite healthy. The 1990 recession also caused great difficulties for our Metal Group. Yet, our Brick Group came through that downturn relatively unscathed.

What we learned from all this was that by balancing our investments in the key regions of the continents ...by balancing our penetration within the five market sectors of the construction industry... and by balancing the size and contributions of our three Business Groups, we could help neutralize product, market sector or regional economic downturns. And that, of course, reduces the risk inherent in the business cycle.

Does it work?

In 1995 we saw a monumental downturn in our eastern Canadian brick business ...precipitated by the worst year for housing starts since the mid-fifties. We also had our United States vinyl margins cut in half by a spike in raw material costs. Jannock still generated \$0.61 per share.

In 1996, with these external factors behind us, we've produced our best earnings results in nine years, and the second best in our history and a return on common shareholders' equity of 16.4%.

Yes, it works! we believe, as we grow and continue to improve our balance, it will work even better.

This revitalization of Jannock could only have been achieved through the combined efforts of the executive team and the ongoing support of the Board of Directors. We have all shared the same vision. We have all committed ourselves to rejecting the old perspectives, as we refocus your Company and steer it on a new course (the shift towards custom-engineered products at Jenisys is an excellent example). We have all faced, and unflinchingly dealt with, some very difficult decisions.

As you will see, on the following page, three of our longest serving Board members will now be retiring. Their counsel and support has enabled Jannock to make the transition necessary to secure it's long-term success. We thank them profusely.

While it is still early in 1997, all sectors of the construction industry appear to have favourable outlooks. This should result in continuing sales and earnings increases for Jannock.

In the longer term, we are extremely enthusiastic about our growth opportunities. Consider this: we have three of the healthiest, most vibrant building products businesses in North America; they all serve multiple and growing market sectors; they all have large product offerings to meet changing customer needs; they all have enormous potential for internally generated growth.

Then, consider this: as a growing group within a growing corporation, each can afford to acquire smaller bolt-ons and tuck-unders that can be absorbed into operations without increasing overheads... and can often be purchased without going through an expensive "auction" process.

We intend to grow in three ways: through development of new products and product lines; through expanding the capacity of our existing operations; and through strategic acquisitions.

We have both the people and the financial resources to achieve our goals.



ROY F. BENNETT  
*Chairman of the Board*



R. JAY ATKINSON  
*President and Chief Executive Officer*

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# Directors Emeriti

Since its amalgamation in 1973, Jannock has been fortunate to have the services of outstanding individuals, both in management and on its Board of Directors. Three of these gentlemen have announced their intention to retire from the Board in 1997. Their service to, and unfailing support of, both the Company's management and its shareholders, has been invaluable. In gratitude, they have been named Directors Emeriti.



J. HOWARD HAWKE

*Director Emeritus*

As a founder of Jannock Limited, Howard Hawke oversaw the successful merging of two companies, Glengair Group and Lantic Sugar, to create a new entity. A member of the Board of Directors since 1973, Mr. Hawke was Jannock's first President. He is also former Chairman and Chief Executive Officer of Prudential Bache Securities.

Born in St. Catharines, Ontario, he is a graduate of the University of Toronto and a veteran of naval service in the Second World War. Mr. Hawke is currently Chairman of the Board of Brick Brewing Company, and a director of Canadian Occidental Petroleum and Wastecorp International Investments, Inc.

His extensive business experience and wise counsel have greatly served the interests of Jannock shareholders over many years.



H. GORDON MACNEILL

*Director Emeritus*

Gordon MacNeill became President, Chief Executive Officer and a director of Jannock Limited in 1976. He continued in the role of CEO until 1991. He was elected Chairman of the Board in 1989 and held that responsibility until May, 1996. He is Chairman of the Board of Wajax Limited and a director of Bowater Incorporated, and Empire Company Limited. He is also a former President and Chief Executive Officer of Goodyear Canada.

Born in Sydney, Nova Scotia, he is a graduate of Acadia University, which awarded him an Honorary Doctorate in 1987.

His business acumen, acquired over decades of experience as a senior executive, has been a major asset to the Board in its deliberations.



GEORGE E. MARA, CM

*Chairman Emeritus*

George Mara joined the Jannock Board of Directors, as an original member, in 1973. He was also a substantial investor in the new Company. He served as Jannock's Chairman from 1975 until 1989, when he was succeeded by Gordon MacNeill. Mr. Mara was Vice-Chairman of the Board until this year.

He is Honorary Chairman of the Olympic Trust of Canada and was awarded the Order of Canada in 1976. A graduate of Upper Canada College, he served in the Royal Canadian Navy during World War II.

He is a director of the Women's College and the Wellesley Central Crown Foundation, and is a member of the Canadian Sports Hall of Fame and the Canadian Amateur Sports Hall of Fame.

His enthusiasm, insight and sound judgment have proved to be of invaluable assistance to the Jannock Board of Directors over many years.

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# A Strategy of Balance

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## History

At the beginning of the decade, Jannock Limited was a classic conglomerate: it operated 13 businesses, ranging from brick manufacturing to electronic circuit boards to sugar refining. Approximately two-thirds of its assets were located in Canada.

By the late 1980's, Jannock determined that its strategy of operating a variety of unrelated businesses was not in the long-term best interests of its shareholders. As a result, the Company decided to concentrate its focus on the business it knew best: supplying building products to the North American construction industry. This meant divesting itself of 10 of the 13 companies that it then owned.

With the \$300 million in proceeds it received from their sale, and an additional \$55 million raised in the equity markets, Jannock expanded its vinyl business in the United States and invested in its metal fabricating business. In this way, it acquired a range of new products, much broader geographic diversification and a potentially healthier balance sheet. The Company was then organized into three core Business Groups: Vinyl, Metal and Brick.

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## A New Strategy

The principal risk in the building products business is the highly cyclical nature of the North American construction industry. Although economic downturns are often assumed to be national in their reach, in fact their impact is often limited to specific regions. During the 1990 recession, for example, the States of the northeast were in economic turmoil, while those in the west and south were relatively calm. The Commercial/Industrial sector suffered severely, but the Residential Renovation and Repair sector remained in good health.

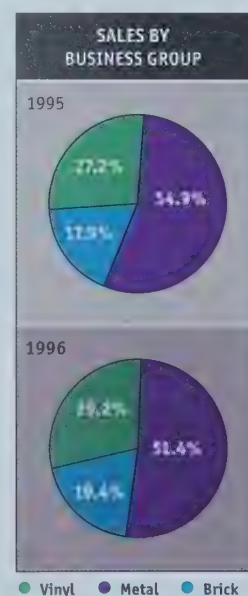
Jannock believes that the most effective way to manage the risks it faces is to achieve balance in several key areas: balance within its Business Groups in asset distribution, sales, operating earnings and cash flow; balance among the several market sectors it serves within the construction industry; balance in its regional presences; and balance in the range of products it offers to its customers.

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## Business Group Balance

As a major element in its risk-management strategy, Jannock has worked towards building a balance within its three Business Groups, to ensure that the Company avoids dependence on the performance of any single product line.

The success of vinyl, brick and metal products can be influenced by a number of quite different commercial factors. When, for example, raw material prices for vinyl rise rapidly, as they did in 1995, the resultant margin squeeze and reduction in profits has no impact on brick and metal operations.



## Market Balance

Today the Company's three Business Groups serve five industry sectors: New Residential, Residential Renovation and Repair, Commercial/Industrial, Agricultural, and Infrastructure. Sales are well distributed amongst these sectors.

While the construction industry as a whole tends to be cyclical, the degree and timing of cyclical-ity within these sectors can vary considerably. For example, during an economic downturn, the Renovation and Repair sector is generally far less affected than New Residential. By spreading its revenues among the five sectors, Jannock reduces the effect of a dramatic downturn in any given sector.

## Regional Balance

Ten years ago, Jannock's financial performance was largely dependent on the state of the economy in southern Ontario, particularly as it related to the new housing market. Today, more than 50% of Jannock's asset base is in the United States market, which delivers over half its sales and earnings.

More important, however, is the fact that the three Business Groups, taken together, now cover virtually every important regional market in North America. As with industry sectors, regions are subject to cyclical influences. Through expansion and strategic acquisitions in different regions, Jannock has reduced its dependence on the economy of a single area.

## Product Balance

At the beginning of the decade, Jannock offered a small number of products, many of which were clearly commodity in nature. Today, more than 40% of revenues come from a wide range of product offerings that were not part of Jannock seven years ago.

Additionally, the Business Groups have successfully differentiated their products from the competi-tion, by providing a high level of technical service, excellent quality and strong branding. They have also actively developed their markets by providing a range of custom-engineered products and services.

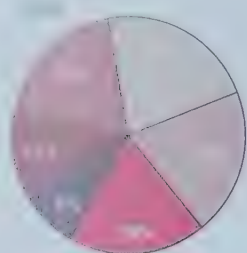
Through the expansion of product offerings, establishing superior product differentiation and an increased focus on custom-engineered products, Jannock has reduced its dependence on the success of a few commodity-based products.

## Business Group Sales by Market Sector

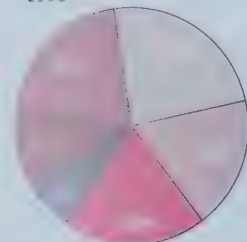
(millions of dollars)

Market Sector	Vinyl Group		Metal Group		Brick Group		1996 Total	
New Residential Construction	\$ 72	20%	\$ -	-%	\$180	71%	\$ 252	20%
Residential Renovation and Repair	285	80	-	-	9	4	294	24
Commercial/Industrial Construction	-	-	160	25	57	23	217	18
Agricultural Construction	-	-	245	39	1	-	246	20
Infrastructure Construction	-	-	87	14	-	-	87	7
Non-construction Products	-	-	137	22	6	2	143	11
<b>Total</b>	<b>\$357</b>	<b>100%</b>	<b>\$629</b>	<b>100%</b>	<b>\$253</b>	<b>100%</b>	<b>\$1,239</b>	<b>100%</b>

CONTRIBUTION BY  
MARKET SECTOR



1996



- New Residential Construction
- Residential Renovation and Repair
- Commercial/Industrial Construction
- Agricultural Construction
- Non-construction Products
- Infrastructure Construction

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## The Corporate Office Role

Jannock believes that local operating management is in the best position to understand the needs of its customers and to find ways to meet them. As a result, the operations of Jannock's Business Groups are highly decentralized. In return, the Business Groups are responsible for achieving appropriate returns on their assets.

Ensuring that the Groups are properly resourced and have the ability to serve their markets, is considered to be a key element in maintaining Jannock's stature as a leader in the building-products industry.

Another key role of Jannock's Corporate Office is to maintain the necessary balance between these operations, to ensure that the Corporation's overall market risk is being managed effectively. In addition, it is responsible for strategic planning, capital allocation, development, compensation and financial management from a corporate perspective.

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## Outlook

Jannock is committed to achieving major growth, within all of its Business Groups, over the next five years, through development of new products and services, expansion of its manufacturing capacity and strategic acquisitions.

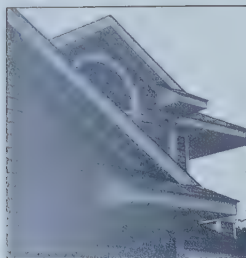
With all five sectors of the construction industry showing strength, forecasted economic health across North America, and a strong commitment by the three Business Groups to continued improvement in productivity and efficiency, Jannock's outlook is positive for the balance of the decade.



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# Operations Overview

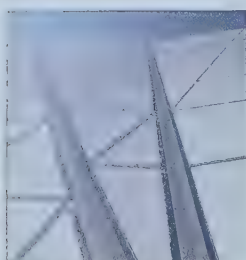
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## The Vinyl Group

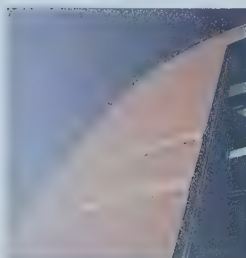
Lower raw material costs and greater sales volumes in vinyl siding led the Group to a 211% increase in operating earnings (before unusual items). United States earnings grew by 93%, while Canadian operations reduced their loss to less than a quarter of the previous year's. Sales increased by 17.1%, due to acquisitions and increased demand for siding. During the year, two recent additions to the product range – vinyl windows and vinyl fencing and decking, were revamped.



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## The Metal Group

Operating earnings for Jenisys grew slightly to \$30.3 million in 1996, compared with \$28.1 million the previous year. Sales at Jenisys (Canada) grew by 3.4% while sales at Jenisys (United States) declined slightly. The impact of increased agricultural sales was moderated by lower sales of Commercial/Industrial building products, as well as difficult weather conditions in the first months of 1996 and decreased government spending on infrastructure.



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## The Brick Group

Operating earnings grew 90%, as a result of a turnaround in Canada Brick, and continued strength in the United States operations. Largely as a result of increased housing starts, total Brick Group sales increased 17.5%, with Canadian brick sales increasing by 11.2%; United States sales were up 20.4%. Early in 1996, the Group acquired Southern Brick Company, which has been successfully consolidated into Richtex, a subsidiary located in Columbia, South Carolina.

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# Non-Strategic Investments

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### **FERRUM INC.**

Jannock has a 50% joint venture interest in Ferrum, a supplier of tubular steel products to the North American construction, industrial and automotive markets. Primarily as a result of a strong automobile market throughout 1996, Jannock's share of Ferrum's sales increased by 3.5%, to \$155 million. In March, 1997, Jannock announced its intention to sell its 50% interest in Ferrum to Copperweld Corporation.

### **JANNOCK PROPERTIES**

Jannock is developing some of its former shale deposit and brick plant sites as residential and commercial properties. Operating earnings for 1996 were \$1.5 million, representing about 2% of Jannock's total earnings. Revenues were received as builders sold completed units and paid Jannock in full. In 1995, operating earnings were \$5.3 million and represented 10% of Jannock's total earnings.

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# Management's Discussion and Analysis

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## Introduction

The following provides an overview of Jannock Limited's operations, financial condition and changes in its financial position. This report should be read with the Consolidated Financial Statements and Notes.

Jannock operates three major business Groups: Vinyl, Metal and Brick. Jannock's Vinyl and Brick Groups are wholly owned. Jannock's Metal Group is comprised of wholly owned Jenisys Engineered Products (Jenisys) and a 50% joint venture interest in Ferrum Inc. (Ferrum). Jannock manages but does not control Ferrum. Jannock announced in March 1997, that it has reached agreement to sell its 50% interest in Ferrum Inc. The sale, which is subject to regulatory review, is expected to be completed by April 30th, 1997.

In addition, Jannock is developing certain former shale deposit and brick plant sites for residential and commercial purposes (Property Development). During the 1996 year, Jannock sold its 80% interest in Celfortec, a Canadian-based insulation business (Insulation) and closed the associated cement panels business.

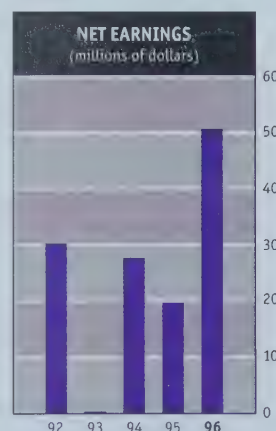
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## Results of Operations

### NET EARNINGS

Jannock's net earnings for the year were \$50.7 million, compared to \$19.7 million in 1995. After payment of preferred share dividends of \$1.5 million in 1996, the net earnings due to Common shareholders were \$49.2 million (\$1.65 per share). After payment of preferred share dividends of \$1.5 million in 1995, the net earnings due to Common shareholders were \$18.2 million (\$0.61 per share). On a fully diluted basis, the net earnings due to Common shareholders in 1996 were \$1.63 per share (\$0.61 per share in 1995).

The increase of \$31.0 million in net earnings is the result of higher operating earnings, a gain from the sale of the Insulation business and lower interest expense. Operating earnings increased by \$39.1 million, or 71%, from \$55.4 million in 1995 to \$94.5 million in 1996. Included in the operating earnings is an unusual items gain of \$2.6 million, comprised of a \$13.6 million gain from the sale of the Insulation business less a Vinyl Group restructuring charge of \$11.0 million. Interest expense decreased by \$4.6 million, from \$22.8 million in 1995 to \$18.2 million in 1996. Offsetting these comparative gains was an increase in tax expense of \$12.7 million in 1996 to \$25.6 million.



## SALES, OPERATING EARNINGS AND OPERATING MARGINS BY GROUP

The following is a comparative breakdown of Jannock's businesses, detailing sales, operating earnings and operating margins for the years ended December 31, 1996 and 1995.

(millions of Canadian dollars)	1996 \$	%	1995 \$	%
<b>SALES</b>				
Vinyl	356.7	29	304.7	27
Metal	629.1	51	614.8	54
Brick	235.9	19	200.8	17
Insulation	17.6	1	27.9	2
Total	1,239.3	100	1,148.2	100
<b>OPERATING EARNINGS</b>				
Vinyl	29.9	32	9.6	17
Metal	42.9	45	41.9	76
Brick	27.7	29	14.6	26
Insulation	(0.9)	(1)	(1.1)	(2)
Corporate expenses	(9.2)	(10)	(8.9)	(16)
	90.4	95	56.1	101
Property Development	1.5	2	5.3	10
Unusual items	2.6	3	(6.0)	(11)
Total	94.5	100	55.4	100
<b>OPERATING MARGINS (%) *</b>				
Vinyl		8.4		3.2
Metal		6.8		6.8
Brick		11.7		7.3
Total		7.3		4.9

\* Before unusual items and Property Development gains

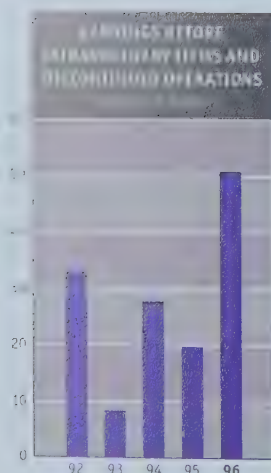
The average exchange rate on conversion of US revenue in 1996 was Cdn.\$ 1.3635 (1995—Cdn.\$ 1.3709).

### CONSOLIDATED SALES

Consolidated sales in 1996 were \$1.24 billion, compared to \$1.15 billion in 1995, an increase of \$91.1 million or 8%. Increased sales were largely attributable to higher volumes in the Brick and Vinyl Groups and the acquisitions of the Outdoor Technologies and Southern Brick businesses in January, 1996. Metal Group sales comprised 51% of consolidated sales, compared to 54% in 1995, as a result of higher sales at Vinyl and Brick. Vinyl sales comprised 29% of consolidated sales, compared to 27% in 1995, as a result of the acquisition of Outdoor Technologies. Brick Group's sales increased to 19% of total sales in 1996, compared to 17% the previous year, due to volume increases across all brick operations and the acquisition of Southern Brick.

### CONSOLIDATED OPERATING EARNINGS

Consolidated operating earnings increased \$39.1 million to \$94.5 million in 1996, compared to \$55.4 million in 1995. This increase is largely due to a \$20.3 million increase in Vinyl Group operating results for 1996 and a \$13.1 million increase in Brick Group operating results, principally in its Canadian operations. During the year, Jannock sold its 80% interest in Celfortec, a Canadian-based insulation business. The company reported a gain on sale of \$13.6 million before taxes (\$10.5 million after tax). This gain has been partially offset by Vinyl Group charges amounting to \$11.0 million before tax (\$7.9 million after tax), arising from the restructuring of the Canadian and United States vinyl operations. The net gain of \$2.6 million has been reported as an unusual item. The 1995 unusual item was a \$6.0 million capacity reduction charge related to the restructuring of the Canadian brick operations.



In 1996, Brick Group comprised 29% of Jannock's operating earnings (26% in 1995 excluding unusual items charges), largely as a result of the return of Canadian operations to profitability. The significant increases in Vinyl Group's operating earnings reflect lower resin costs than in 1995 when the Group was unable to fully recover these higher costs through pricing. In 1996, Vinyl Group's operating earnings (excluding unusual items charges) was 32% of Jannock's total operating earnings (17% in 1995). Metal Group's operating earnings were essentially unchanged at \$42.9 million (1995 - \$41.9 million). Metal Group's share of total operating earnings declined to 45% from 76%, reflecting improved earnings at Brick and Vinyl. In 1996, Property Development recognized \$1.5 million of gains (\$5.3 million in 1995), as builders sold completed units and Jannock received payment in full. These gains accounted for a 2% share of total operating earnings in 1996 (10% in 1995). Corporate expenses in 1996 were \$9.2 million (\$8.9 million in 1995).

#### CONSOLIDATED OPERATING MARGIN

Jannock's consolidated operating margin, before Property Development gains and unusual items, increased from 4.9% in 1995 to 7.3% in 1996. Vinyl Group experienced a margin gain from 3.2% in 1995 to 8.4% in 1996 due to lower raw material costs and other cost improvements. Metal Group's operating margin remained unchanged at 6.8%. Brick Group's operating margin increased to 11.7% in 1996, from 7.3% in 1995, reflecting an improved home construction market in Canada as well as the impact of the capacity reduction program implemented in 1995.

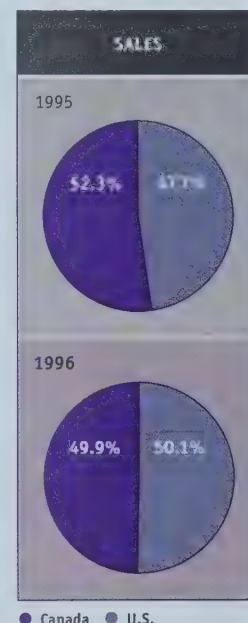
#### SALES AND EARNINGS BY GEOGRAPHIC REGION

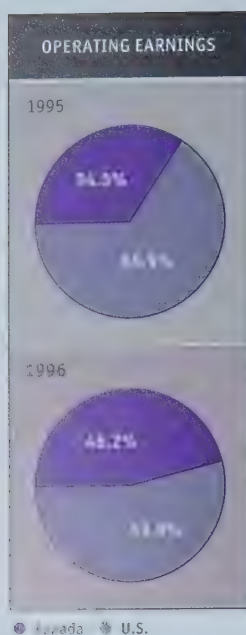
A breakdown of sales and operating earnings by geographic market for the years ended December 31, 1996 and 1995 is presented below:

(millions of Canadian dollars)	1996 \$	%	1995 \$	%
<b>SALES</b>				
Canada	618.2	50	600.1	52
United States	621.1	50	548.1	48
Total	1,239.3	100	1,148.2	100
<b>OPERATING EARNINGS</b>				
Canada	47.9	46	22.2	35
United States	55.8	54	42.1	65
	103.7	100	64.3	100
Corporate expenses	(9.2)		(8.9)	
Total	94.5		55.4	

Sales in Canada recorded a modest increase of \$18.1 million, or 3.0%, to \$618.2 million in 1996. Metal Group Canadian sales increased \$16.5 million to \$500.2 million. Canadian brick and vinyl sales increased \$6.0 million and \$5.9 million, respectively. Due to the August 1996 sale of the Insulation business, only \$17.6 million of sales were contributed by this business, compared to \$27.9 million in 1995.

Canadian sales in 1996 comprised 50% of Jannock's sales mix, compared to 52% in 1995 and 57% in 1994, due to the company's increasing penetration into the United States market. The increase in United States sales of \$73.0 million, or 13.3%, to \$621.1 million in 1996 is the result of sales growth in the Vinyl and Brick Groups, the acquisitions of Outdoor Technologies and Southern Brick, and the full-year impact of Bird Vinyl Products and Kensington Windows, which were acquired in 1995. Jannock's United States sales in 1996 comprised 50% of total sales mix, compared to 48% in 1995 and 43% in 1994.





In 1996, Canadian operating earnings increased by \$25.7 million to \$47.9 million, as the Canadian brick operations returned to profitability and Canadian vinyl operating results significantly improved. Metal Group earnings were largely unchanged in 1996.

Jannock's United States operating earnings increased by \$13.7 million, from \$42.1 million in 1995 to \$55.8 million in 1996. This increase was mainly due to an increase in Vinyl Group earnings.

#### INTEREST EXPENSE

Interest expense decreased by \$4.6 million, from \$22.8 million in 1995 to \$18.2 million in 1996. Despite the acquisitions made in 1996, the company achieved lower debt levels as well as benefitting from lower interest rates.

#### INCOME TAXES

Income tax expense increased by \$12.7 million, from \$12.9 million in 1995 to \$25.6 million in 1996, reflecting the higher level of earnings. Income tax expense, expressed as a percentage of earnings before taxes, was 34% in 1996, compared to 40% the previous year. Note 9 to the Consolidated Financial Statements analyses the calculation of Jannock's income tax provision.

## Vinyl Group Results

### OPERATING AND FINANCIAL DATA

(millions of Canadian dollars except where noted)	1996	1995
Vinyl siding shipments (thousands of squares)	5,056	4,665
Sales	356.7	304.7
Operating earnings before unusual items	29.9	9.6
Unusual items	(11.0)	-
Operating earnings	18.9	9.6
Operating margins before unusual items (%)	8.4	3.2
Identifiable assets	209.7	187.9
Capital expenditures <sup>(1)</sup>	8.1	9.6
Depreciation	13.5	12.0
Amortization	4.1	3.1

(1) excluding acquisitions

Total vinyl siding shipments increased by 8.4%, from 4.7 million squares in 1995 to 5.1 million squares in 1996. Vinyl Group sales increased by \$52.0 million, or 17.1%, from \$304.7 million in 1995 to \$356.7 million in 1996. This increase came as a result of the acquisition of Outdoor Technologies, a full year's sales from the 1995 acquisitions of Bird Vinyl Products and Kensington Windows operations and the growth in siding volumes. United States sales climbed by \$46.1 million, from \$269.5 million in 1995 to \$315.6 million in 1996. Canadian sales in 1996 increased to \$41.1 million from \$35.2 million the previous year.

Overall, Vinyl Group's operating earnings before unusual items increased by \$20.3 million, from \$9.6 million in 1995 to \$29.9 million in 1996 due to lower raw material costs and increased siding volumes in both Canada and the United States. The Group's United States earnings rose by \$15.2 million, from \$16.3 million to \$31.5 million in 1996, with all operations reporting improved performance. The Vinyl Group's Canadian operations reported a 1996 loss of \$1.6 million, compared to a loss of \$6.7 million in 1995.

In 1996, the Vinyl Group consolidated its North American fence business within its recently acquired Outdoor Technologies location and closed its Ontario fabrication facility. Daymond sold most of its distribution operations and the remaining siding plant was consolidated with the Master Shield division. In addition, the Group closed a marginally profitable siding plant in Mississippi. This resulted in an unusual items charge to earnings of \$11.0 million, decreasing Vinyl Group's operating earnings to \$18.9 million. The Unusual items charge includes costs for employee severance payments, equipment and personnel relocation and fixed asset write downs.

The United States markets for vinyl siding continued to grow during 1996, reflecting sustained growth in the renovations and repairs sector. In addition, alternative siding materials, such as wood and aluminum, continue to lose market share to vinyl products.

## Metal Group Results

### OPERATING AND FINANCIAL DATA

(millions of Canadian dollars except where noted)	1996	1995
<b>Sales</b>	<b>629.1</b>	<b>614.8</b>
<b>Operating earnings</b>	<b>42.9</b>	<b>41.9</b>
<b>Operating margin (%)</b>	<b>6.8</b>	<b>6.8</b>
<b>Identifiable assets</b>	<b>269.4</b>	<b>279.9</b>
<b>Capital expenditures</b>	<b>10.1</b>	<b>10.2</b>
<b>Depreciation</b>	<b>9.3</b>	<b>10.0</b>
<b>Amortization</b>	<b>1.5</b>	<b>0.7</b>

Jannock's Metal Group is comprised of two businesses: Jenisys Engineered Products and a 50% interest in Ferrum Inc. Jenisys Engineered Products' Canadian operations [Jenisys (Canada)] are based in Oakville, Ontario and serve the Canadian Agricultural, Infrastructure and Commerical/Industrial construction markets. Jenisys Engineered Products' United States operations [Jenisys (United States)] are based in Louisville, Kentucky and serve the United States Agricultural construction market. Ferrum is based in Brampton, Ontario and supplies Canadian and U.S. construction and automotive markets with steel tubing and fabricated steel tubular products.

Metal Group sales increased by \$14.3 million, or 2.3%, from \$614.8 million in 1995 to \$629.1 million in 1996. Jenisys (Canada) recorded sales growth of \$11.4 million to \$345.3 million, from \$333.9 million the previous year. Most of this growth was due to an increase in grain bin sales in Western Canada, which resulted from a strong wheat crop and improved financial resources of farmers. Offsetting this sales growth were reduced sales in the Commerical/Industrial sector, where sales had a slow start due to unfavorable weather early in the year.

Sales at Jenisys (United States) decreased marginally to \$128.8 million, from \$131.1 million in 1995. Sales increases in Agricultural products were insufficient to offset decreased sales in the Commercial/Industrial market. Ferrum's sales growth continued in 1996, due primarily to strong automotive sales. Jannock's 1996 share of Ferrum's sales increased by \$5.2 million, or 3.5%, to \$155.0 million from \$149.8 million in 1995.

Overall, Jenisys' earnings reflected the higher level of sales and increased slightly in 1996 to \$30.3 million compared to \$28.1 million the previous year. Jannock's share of Ferrum's earnings decreased slightly in 1996 to \$12.6 million from \$13.8 million in 1995.

# Brick Group Results

## OPERATING AND FINANCIAL DATA

(millions of Canadian dollars except where noted)	1996	1995
<b>Shipments</b> (millions of bricks)	<b>1,066.3</b>	895.6
<b>Sales</b>	<b>235.9</b>	200.8
<b>Operating earnings before unusual items</b>	<b>27.7</b>	14.6
<b>Unusual charges</b>	-	(6.0)
<b>Operating earnings</b>	<b>27.7</b>	8.6
<b>Operating margins before unusual items (%)</b>	<b>11.7</b>	7.3
<b>Identifiable assets</b>	<b>173.0</b>	164.5
<b>Capital expenditures</b> <sup>(1)</sup>	<b>9.7</b>	10.7
<b>Depreciation</b>	<b>13.0</b>	13.2
<b>Amortization</b>	<b>2.6</b>	0.2

(1) excluding acquisitions

Total brick shipments increased by 170.7 million bricks, or 19.1% from 895.6 million bricks in 1995, to 1,066.3 million bricks this year. Brick Group's US brick shipments were up 123.5 million bricks over 1995 levels, with over half of this increase resulting from the acquisition of Southern Brick early in the year. Canadian brick shipments were up 22.3%, or 47.2 million bricks, to 258.7 million bricks in 1996.

Brick Group sales increased by \$35.1 million to \$235.9 million from the 1995 level of \$200.8 million. Sales by the United States operations increased by \$29.1 million, with all operations reporting improved sales for the year. Canadian brick sales increased by \$6.0 million, or 11.2%, to \$59.3 million, reflecting a more favourable Canadian housing market. In the United States, total housing starts increased to 1.46 million, an increase of 8% over the previous year. In 1996, housing starts in Ontario and Quebec, the Brick Group's primary Canadian markets, were approximately 43,000 and 23,000 respectively, up 19% and 5% on a year-over-year basis.

Brick Group's operating earnings increased by \$13.1 million, from \$14.6 million in 1995 to \$27.7 million in 1996. Of this \$13.1 million increase, \$10.6 million resulted from the turnaround in the Canadian brick operations, which recorded earnings of \$2.0 million compared to an operating loss of \$8.6 million in 1995 (before \$6.0 million of restructuring charges). In 1995 the Group decided to reduce capacity and associated costs. This decision resulted in an unusual items charge to earnings of \$6.0 million, increasing Brick Group's Canadian operating loss to \$14.6 million in that year. In 1996, although the increase in housing starts had a positive impact, the improvement in earnings was primarily a result of the capacity reduction and cost improvement initiatives reflected in the unusual items charge in 1995.

In the United States, Brick Group's operating earnings were up \$2.5 million, or 10.8%, from \$23.2 million in 1995 to \$25.7 million in 1996.

## Property Development Results

Jannock has also invested about \$15 million to convert a 63-acre Mississauga, Ontario shale and brick plant site into a residential and commercial real estate development. An estimated \$4 million will be required to complete this project. In 1996, Jannock recognized income of \$1.5 million (\$5.3 million in 1995), as builders sold completed units and the company received full payment. The revenue stream from this project, which began in 1995, will extend through 1999.

Jannock has also invested \$8 million in the reclamation and subdivision planning of an additional 183-acre residential and commercial site in the same area. Income from this second former brick site is expected to begin in 1998 and continue for several years.

Jannock owns major tracts of land in Mississauga, Burlington, Milton and Niagara-on-the-Lake, Ontario all of which are licensed for shale extraction for use in manufacturing clay brick. Jannock will continue to evaluate the use of these sites. Land not needed for clay brick operations may eventually be developed.

## Financial Condition

### WORKING CAPITAL

The following shows Jannock's working capital position, at December 31, 1996 and 1995:

(millions of Canadian dollars)	1996	1995
<b>Current assets</b>	<b>364.9</b>	<b>327.0</b>
<b>Current liabilities</b>	<b>(201.6)</b>	<b>(185.5)</b>
<b>Working capital</b>	<b>163.3</b>	<b>141.5</b>

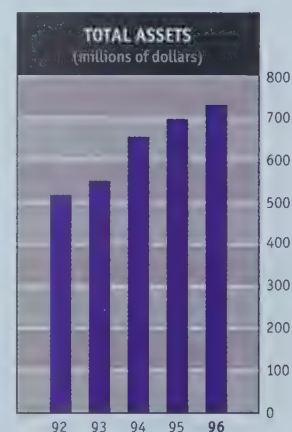
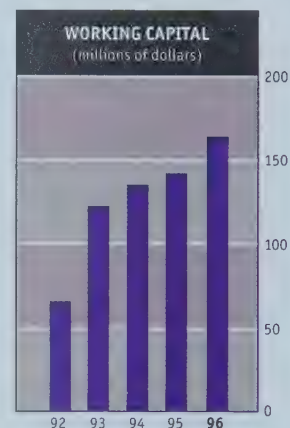
Working capital increased to \$163.3 million at December 31, 1996, from \$141.5 million at December 31, 1995. This increase was mainly due to an account receivable from the sale of the Insulation business, and a reduction in net current debt due to higher earnings offset by an increase in trade payables. The \$26.0 million account receivable was collected in January 1997. Jannock's current ratio (current assets divided by current liabilities), at the 1996 fiscal year-end was 1.8:1, unchanged from 1995.

### LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

Jannock has access to sufficient debt capital to finance current operations. These operations, apart from the Metal Group, are financed through debt capital arrangements at Jannock Limited. Jannock's Metal Group is financed with lines of credit secured by the assets of its individual operations. Jannock Limited has not guaranteed Metal Group's lines of credit.

Jannock has available a \$300-million revolving-term credit agreement with a consortium of banks to finance operations and acquisitions in North America and support its commercial paper program. In addition, it has operating lines of credit with two individual banks, adding an additional borrowing capacity of \$60 million.

In 1995, Jannock issued bond purchase warrants which gave the holders the option to purchase up to US \$107 million in bonds. On February 28, 1996, the options were exercised and Jannock issued the full amount of the bonds in three series, maturing at various dates between 2001 and 2006. The proceeds from these bonds were used to pay down outstanding amounts under the existing bank term credit agreements.



Other sources of debt capital for Jannock include an authorized \$100 million commercial paper program, rated R-2 high by Dominion Bond Rating Service (DBRS) and A-1 low by Canadian Bond Rating Service (CBRS). The commercial paper program was not used in 1996.

Jannock's long-term debt has been rated by DBRS as BBB (high) and CBRS as A. DBRS's ratings were revised downward to these levels in March 1996.

Metal Group's sources of debt capital are principally bank lines of credit. Jannock's proportionate share of these available lines of credit is \$116 million. Jannock's proportionate share of interest-bearing debt in Metal Group amounted to \$30.1 million at December 31, 1996, compared to \$76.9 million at December 31, 1995.

At December 31, 1996, Jannock's net debt was 33% of total capitalization compared with 41% at December 31, 1995. For purposes of determining this ratio, net debt is defined as interest-bearing debt less cash and cash equivalents.

#### CAPITAL SPENDING

Capital spending, including acquisitions, for the years ended December 31, 1996 and 1995, is shown below:

(millions of Canadian dollars)	1996	1995
Vinyl	32.0	74.4
Metal	10.1	10.2
Brick	20.7	10.7
Other	0.4	1.5
<b>Total</b>	<b>63.2</b>	<b>96.8</b>
Capital expenditures	28.3	32.0
Acquisitions	34.9	64.8
<b>Total</b>	<b>63.2</b>	<b>96.8</b>

In January 1996, Vinyl Group purchased the business and assets of Heritage Vinyl Products, later renamed Outdoor Technologies, for \$23.9 million (US \$17.6 million). Also in January 1996, Brick Group purchased the business and assets of Southern Brick Company, for \$11.0 million (US \$8.1 million).

In March 1995, Vinyl Group acquired the vinyl siding business and assets of Bird Corporation for \$60.4 million (US \$42.5 million). In June 1995, Vinyl Group also purchased the Kensington vinyl window business and assets from Bird Corporation for consideration of \$4.4 million (US \$3.2 million).

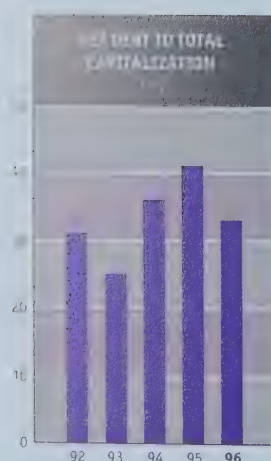
The \$28.3 million of capital invested in existing businesses was used to maintain and upgrade operations. Capital expenditures for 1997, excluding acquisitions, are estimated to be about \$45 million. These funds will be spent on expansion, and to maintain and upgrade existing facilities.

During 1996, Jannock sold the net assets of its Insulation business in Valleyfield, Quebec and closed the associated fibre cement panels business in Montreal, Quebec.

#### SHAREHOLDERS' EQUITY

During 1996, Shareholders' Equity increased by \$37.2 million to \$343.3 million, from \$306.1 million in 1995. Net earnings of \$50.7 million were \$34.1 million in excess of dividends on the common and second preference shares of \$16.6 million. In 1996, book value per common share increased from \$9.63 per share in 1995 to \$10.84 per share.

The loans receivable of \$6.0 million in 1996 (\$7.7 million in 1995) from officers and employees under the corporation's share purchase plans have been reclassified as a reduction of share capital.



Loan repayments will result in an increase in share capital and are due at various dates between 1998 and 2005.

In February 1996, Jannock reduced its quarterly dividend on common shares from 20¢ per share to 12.5¢ per share.

## Changes in Financial Position

(millions of Canadian dollars)	1996	1995
Working capital provided by operations	83.2	58.2
Cash provided by (used for) working capital	29.7	(4.7)
Cash provided by operating activities	112.9	53.5
Cash (used for) provided by financing activities	(40.2)	35.4
Cash used for investing activities	(52.3)	(81.4)
Increase in cash	20.4	7.5

In 1996, working capital provided by operations was \$83.2 million, up from the \$58.2 million reported in 1995, due primarily to increased earnings in 1996.

The \$29.7 million of cash provided by working capital changes is principally a result of the \$34.0 million increase in trade payables in 1996 less an increase in accounts receivable of \$7.0 million.

Cash used by financing activities was \$40.2 million in 1996. This reflects the net proceeds of \$146.3 million on the long-term bonds issued in 1996 less \$172.3 million of long-term debt repayments and \$16.6 million of dividend payments in 1996.

Cash used by investing activities totaled \$52.3 million in 1996, due largely to the \$34.9 million expended on acquisitions and \$28.3 million spent on capital expenditures. These amounts were partially offset by cash proceeds of \$7.4 million from the sale of investments and \$3.7 million from the sale of fixed assets. In 1995, investing activities used \$81.4 million, principally as a result of acquisitions and capital expenditures.

## Risks and Uncertainties

### CYCLICAL BUSINESS

The building products industry is relatively cyclical, particularly in the New Residential construction markets. Jannock's earnings levels correlate directly with the levels of construction activity in the markets it serves. This is the key risk that Jannock faces. Management seeks to manage this risk by geographical, product-line and market-sector diversification.

To this end, Jannock has invested heavily in the United States to reduce its dependence on its Canadian brick business and on the health of the Ontario and Quebec economies. For example, Jannock has invested approximately \$200 million in recent years to build a North American vinyl business. Vinyl Group primarily serves the less cyclical renovations and repairs sector of the residential construction market. Metal Group has expanded its geographic and product diversification for the same reason.

New home construction activity in Canada improved in 1996. As expected, low interest rates prompted a revival in residential construction activity during the year, but a lack of job security continues to temper enthusiasm for home purchases.

#### RAW MATERIAL COSTS

Jannock's vinyl business uses polyvinyl chloride (PVC) resin as a primary raw material, particularly in construction applications. On a global basis, construction demand for PVC is driven by the level of new construction as well as remodeling and renovation activity. PVC is used in products such as pipe, siding, windows and flooring. The major risk to Vinyl Group is that, in the event of rapid increase in PVC resin prices such as occurred in 1995, there has tended to be a lag in affecting the price increases necessary to recover the higher costs, resulting in a temporary decline in margins. To reduce this risk, Vinyl Group uses its combined buying power to negotiate favourable pricing terms for raw materials.

Jannock's Metal Group uses steel as a primary raw material. Steel prices fluctuate with availability and overall demand. For certain products, selling prices have closely followed steel prices so that profit margins have improved as steel prices rose and have declined as they fell. To minimize this risk wherever possible, the Metal Group has made agreements with customers to establish firm prices for fixed periods of time. Also, the Group uses its significant buying power to negotiate with suppliers to ensure the availability of steel at competitive prices.

#### INTEREST RATES AND CURRENCY RISKS

A substantial portion of Jannock's floating-rate debt has been replaced with fixed-rate, longer term US-denominated debt. Accordingly, Jannock's debt position is not highly vulnerable to significant interest-rate risk. Moreover, Jannock's construction-industry markets are positively affected by declining interest rates. For this reason, a continuation of current lower interest rates in both Canada and the United States is expected to result in further strengthening of Jannock's markets, particularly new-home construction.

Currency risk is not a significant factor as Jannock's US-denominated debt reduces the effect currency fluctuations might have on US operations. In addition, Jannock is not a major exporter. While the corporation operates in both Canada and the United States, its businesses serve local and regional markets.

#### OTHER RISKS

The North American Free Trade Agreement does not pose a significant risk to Jannock. Its business Groups expect little competition from Mexican building-products manufacturers. Jannock closely manages environmental risk, a source of frequent concern to investors and lenders. The Corporation maintains all facilities in full compliance with regulatory standards. Costs of compliance have not been material, however, and Jannock anticipates no major expenditures in this area.

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## Outlook

Jannock looks forward to continuing improvement in its results due to the favourable outlook for the market sectors that it serves as well as the productivity and efficiency measures that have been implemented during the last two years.

Housing starts are expected to remain steady in the United States, and to increase in the key Canadian markets, due to improved affordability and stable interest rates. Repair and renovation expenditures are expected to maintain their growth as the housing stock ages. Non-residential markets are expected to show some growth in the Commercial/Industrial area, with the Agricultural sector remaining strong.

Restructuring activities in the Brick and Vinyl Groups over the last two years have resulted in the closure or sale of some unprofitable operations and an overall reduction in ongoing fixed costs.

The major concerns for the company would be a substantial increase in interest rates by either the Federal Reserve Board or The Bank of Canada, or a rapid escalation in vinyl resin costs similar to that experienced in 1995.

# Financial Statements

## CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31

(millions of Canadian dollars, except per share amounts)

	1996	1995
<b>SALES</b> (Note 13)	1,239.3	1,148.2
<b>Operating costs</b>	1,148.9	1,092.1
<b>OPERATING EARNINGS BEFORE THE FOLLOWING</b>	90.4	56.1
Net gains from property development	1.5	5.3
Unusual items (Note 8)	2.6	(6.0)
<b>OPERATING EARNINGS</b>	94.5	55.4
Interest expense on short-term debt	3.0	5.9
Interest expense on long-term debt	15.2	16.9
<b>EARNINGS BEFORE INCOME TAXES</b>	76.3	32.6
Provision for income taxes (Note 9)	25.6	12.9
<b>NET EARNINGS FOR THE YEAR</b>	50.7	19.7
<b>EARNINGS PER COMMON SHARE</b> (Note 7)		
Basic	1.65	0.61
Fully diluted	1.63	0.61

See accompanying notes to consolidated financial statements

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## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31 (millions of Canadian dollars)

	1996	1995
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	140.2	146.2
Net earnings for the year	50.7	19.7
	190.9	165.9
<b>DIVIDENDS</b>		
Second Preference shares	1.5	1.5
Common shares	15.1	24.2
	16.6	25.7
<b>RETAINED EARNINGS, END OF YEAR</b>	174.3	140.2

See accompanying notes to consolidated financial statements

## CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (millions of Canadian dollars)

1996

1995

## ASSETS

## CURRENT ASSETS

Cash and equivalents	10.7	7.8
Accounts receivable	173.1	164.4
Inventories (Note 2)	145.8	144.7
Account receivable on asset sale (Note 8)	26.0	-
Prepaid expenses and other current assets	9.3	10.1
	<u>364.9</u>	<u>327.0</u>

## FIXED ASSETS (Note 3)

240.7 246.1

## PROPERTY DEVELOPMENT ASSETS

35.4 34.3

## OTHER ASSETS (Note 5)

12.4 18.7

## INTANGIBLES

79.5 73.2

732.9 699.3

## LIABILITIES

## CURRENT LIABILITIES

Bank indebtedness	6.0	23.5
Accounts payable and accrued liabilities	182.3	141.3
Income taxes payable	4.2	-
Current portion of long-term debt (Note 6)	4.7	14.1
Dividends payable	4.4	6.6
	<u>201.6</u>	<u>185.5</u>

## LONG-TERM DEBT (Note 6)

171.8 187.2

## DEFERRED CREDITS

9.9 12.1

## DEFERRED INCOME TAXES

4.0 6.6

## MINORITY INTEREST

2.3 1.8

389.6 393.2

## SHAREHOLDERS' EQUITY

## SHARE CAPITAL (Note 7)

Second Preference shares	18.5	18.7
Common shares	139.4	137.7

## RETAINED EARNINGS

174.3 140.2

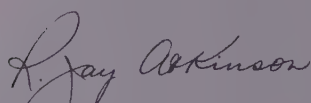
## Foreign currency translation adjustment

11.1 9.5

343.3 306.1732.9 699.3

See accompanying notes to consolidated financial statements

SIGNED ON BEHALF OF THE BOARD



R. JAY ATKINSON

Director



ROY F. BENNETT

Director

# **CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31 (millions of Canadian dollars)

1996

1995

## **OPERATING ACTIVITIES**

Net earnings for the year	50.7	19.7
Items not affecting cash		
Depreciation	37.3	36.8
Amortization	7.2	4.0
Deferred income taxes	(2.6)	(2.4)
Gain on sale of business	(13.6)	-
Other	4.2	0.1
Working capital provided by operations	83.2	58.2
Net (increase) decrease in non-cash working capital		
Accounts receivable	(7.0)	0.1
Inventories	-	13.9
Prepaid expenses and other current assets	0.7	(3.4)
Accounts payable and accrued liabilities	34.0	(15.3)
Current taxes payable	4.2	-
Dividends payable	(2.2)	-
	29.7	(4.7)
Cash provided by operating activities	112.9	53.5

## **FINANCING ACTIVITIES**

Issue of shares	1.7	0.4
Redemption of shares	(0.2)	(0.2)
Dividends	(16.6)	(25.7)
Net proceeds on bond issue	146.3	12.1
Net change in long-term debt	(171.4)	48.8
Cash (used for) provided by financing activities	(40.2)	35.4

## **INVESTING ACTIVITIES**

Cash used for acquisitions (Note 1)		
Cost of acquisitions	(33.8)	(63.6)
Debt assumed on acquisition	(1.1)	(1.2)
Cost of assets acquired	(34.9)	(64.8)
Proceeds received on sale of investments	7.4	8.0
Proceeds on disposal of fixed assets	3.7	2.3
Additions to fixed assets	(28.3)	(32.0)
Net property development	(1.1)	4.1
Other	0.9	1.0
Cash used for investing activities	(52.3)	(81.4)
Increase in cash	20.4	7.5

## **CASH (BANK INDEBTEDNESS)**

Beginning of year	(15.7)	(23.2)
End of year	4.7	(15.7)

See accompanying notes to consolidated financial statements

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# Notes to Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

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## Significant Accounting Policies

### PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. Investments in joint ventures have been proportionately consolidated based on the Corporation's ownership interest. Acquisitions are accounted for by the purchase method and accordingly the results of operations of subsidiaries and joint ventures are included from the dates of acquisition.

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### FIXED ASSETS

Fixed assets are carried at cost less accumulated depreciation. Depreciation, which is based on management's estimate of the asset's useful life, is provided on a straight-line basis at annual rates of 2% to 5% for buildings and 5% to 33% for equipment and other fixed assets.

Interest expense relating to major capital expenditures is capitalized by a charge to fixed asset additions when significant interest costs will be incurred before the capital facility commences production.

### INTANGIBLES

Intangibles consist primarily of goodwill which is the excess of the cost of investment in subsidiaries over the assigned value of net assets acquired. Goodwill is amortized on a straight-line basis over its estimated life which on average is approximately 22 years.

Periodically the carrying value of goodwill is reviewed by the Corporation by considering the expected future cash flows of the related businesses. Any permanent impairment in the value of goodwill is written off against earnings.

### DEFERRED CREDITS

Deferred credits are amounts received for exercised bond purchase warrants which are being amortized against long-term interest expense on a straight-line basis over the period to maturity of the related bond debt.

## **INCOME TAXES**

The tax allocation method is used in accounting for income taxes whereby timing differences between income and expenses reported in the financial statements and income and expenses reported for tax purposes result in deferred income taxes.

## **TRANSLATION OF FOREIGN CURRENCIES**

Assets and liabilities of self-sustaining foreign operations in the United States and the Corporation's United States dollar denominated bond debt are translated to Canadian dollars at the rate of exchange in effect at the year-end. The net investment in the United States operations is designated as a hedge against the United States dollar denominated bond debt. Income and expenses in United States currency are translated to Canadian dollars at rates approximating the average rates of exchange during the year. Exchange differences arising on translation of the financial statements of the United States operations and the Corporation's United States dollar denominated bond debt are taken to the foreign currency translation adjustment account in the shareholders' equity section of the consolidated balance sheets.

Strengthening of the Canadian dollar decreases the balance in the foreign currency translation account and conversely, weakening of the Canadian dollar increases the balance in this account.

## **PENSION COSTS AND OBLIGATIONS**

Substantially all employees are covered by either defined contribution or defined benefit pension plans. The Corporation's pension benefit obligations under the defined contribution plans are determined by the cash payments required each year and are recorded as pension expense in the same year. The Corporation's pension benefit obligation under defined benefit plans are determined annually by independent actuaries using management's assumptions and the accrued benefit method. Pension expense or recovery includes benefits provided in exchange for employees' services rendered in the current period, amortization of past service costs, experience gains and losses arising on changes in assumptions, and gains or losses on plan settlements or curtailments. These amounts are being amortized on a straight-line basis over the expected average remaining service life of the employee group. The cumulative difference between amounts expensed and funding contributions has been recorded in Other assets on the consolidated balance sheets.

## **POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, post-employment benefits such as major medical and life insurance are provided to some employees. Costs of these benefits are charged to earnings as payments are made.

## **SALE OF PROPERTY HELD FOR DEVELOPMENT**

The Corporation sells developed lots to builders with a down payment and the balance owing to the Corporation is secured by a short-term first mortgage on the property. This method of sale is the accepted practice in the industry and provides temporary financing to the house builder. Due to the uncertainty of the ultimate sale, the Corporation does not recognize the net gain until the builder, concurrent with the sale of the completed unit, repays the mortgage held by the Corporation.

## **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amount of cash and equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities in the consolidated balance sheets approximate fair values due to the short-term maturities of these instruments.

The reported amount of variable rate long-term debt instruments are estimated to approximate fair values as rates are tied to short-term indices. The reported amount of fixed rate long-term debt instruments are estimated to approximate fair values as actual rates are consistent with rates estimated to be currently available for debt of similar terms and remaining maturities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## 1 Business Acquisitions

Effective January 1, 1996, the Corporation acquired the clay brick business and assets of Southern Brick Company for cash consideration of \$11.0 million (US\$ 8.1 million). Effective January 11, 1996 the Corporation acquired the vinyl business and assets of the Heritage Vinyl Products Division of The GSI Group, Inc. for consideration of \$23.9 million (US\$ 17.6 million), including \$22.8 million (US\$ 16.8 million) of cash. Subsequent to the acquisition, the name of Heritage Vinyl Products was changed to Outdoor Technologies. The intangibles acquired are being amortized on a straight-line basis over a period of 15 years.

During 1995, the Corporation acquired the vinyl siding business and assets of Bird Corporation for cash consideration of \$60.4 million (US\$ 42.5 million). The Corporation also acquired the Kensington vinyl window business and assets of Bird Corporation for consideration of \$4.4 million (US\$ 3.2 million), including \$3.2 million of cash. Intangibles are being amortized on a straight-line basis over a period of 15 years.

The net assets acquired and consideration given for these acquisitions are summarized as follows:

(millions of Canadian dollars)	1996	1995
<b>Net assets acquired at fair values</b>		
Net working capital	4.5	8.8
Fixed assets	14.9	11.7
Deferred income taxes	-	2.0
Intangibles	15.5	42.3
	34.9	64.8
<b>Consideration</b>		
Debt assumed	1.1	1.2
Cash	33.8	63.6
	34.9	64.8

## 2 Inventories

(millions of Canadian dollars)	1996	1995
<b>Raw materials and supplies</b>	64.3	60.4
<b>Work in process</b>	7.7	6.5
<b>Finished goods</b>	73.8	77.8
	145.8	144.7

## 3 Fixed Assets

(millions of Canadian dollars)	1996			1995		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	47.0	4.2	42.8	49.6	3.7	45.9
Buildings	114.1	50.6	63.5	111.8	47.4	64.4
Equipment	395.2	270.9	124.3	371.2	245.0	126.2
Other	12.8	8.6	4.2	12.8	7.6	5.2
Construction in progress	5.9	-	5.9	4.4	-	4.4
	575.0	334.3	240.7	549.8	303.7	246.1

## 4 Joint Venture Interests

The Corporation has accounted for its 50% interest in Ferrum on the proportionate consolidation basis. The Corporation's proportionate share of specific items of this joint venture are as follows:

(millions of Canadian dollars)	1996	1995
Sales	155.0	149.8
Expenses	149.9	144.5
Net earnings	5.1	5.3
Current assets	34.2	37.4
Long-term assets	40.1	41.1
Current liabilities	(19.5)	(26.5)
Long-term liabilities	(12.8)	(17.0)
Cash flow from:		
Operating activities	17.3	9.2
Financing activities	(5.9)	(3.8)
Investing activities	(3.9)	(4.2)

## 5 Other Assets

(millions of Canadian dollars)	1996	1995
Pension asset (note 10)	9.3	9.3
Investments	1.0	2.6
Other amounts receivable	2.1	6.8
	12.4	18.7

## 6 Long-Term Debt

(millions of Canadian dollars)	1996	1995
<b>THE CORPORATION EXCLUDING THE METAL GROUP (a)</b>		
Bonds US\$ 107.0 million, three series maturing in 2001 to 2006 with effective rates from 7.00% to 7.52% per annum	146.6	-
Term loans (1995 - US\$ 70.0 million), maturing in 2000 at varying rates of interest based on Libor	-	95.2
Term loans, maturing in 2000 with interest based upon the rate of Banker's Acceptances	-	37.8
Other	1.9	1.8
	148.5	134.8
Less principal payments due within one year	0.6	-
	147.9	134.8
<b>METAL GROUP (b)(c)</b>		
Term loans with interest at 11.08%, maturing in 1998	15.0	48.2
Reducing term loan repayable in semi-annual payments maturing in June 1998 with interest based upon the rate of Banker's Acceptances	12.4	18.3
Other	0.6	-
	28.0	66.5
Less principal payments due within one year	4.1	14.1
	23.9	52.4
<b>Consolidated total of long-term debt</b>	<b>171.8</b>	<b>187.2</b>

- (a) During 1995, the Corporation issued bond purchase warrants for US\$ 9.9 million, which gave the holders the right, but not the obligation, to exercise their warrants and to purchase a maximum of US\$ 107.0 million of bonds. The warrants were exercised on February 28, 1996.
- (b) Certain accounts receivable, inventory, fixed assets and a general security agreement on the assets of the Metal Group have been pledged as security by the Metal companies for the term loans and bank indebtedness.
- (c) No guarantees of the Metal Group indebtedness have been provided by Jannock Limited.

### Payments of principal required during the next five years to meet long-term debt installments are:

(millions of Canadian dollars)	1997	1998	1999	2000	2001
	4.7	24.2	0.6	0.2	61.9

## 7 Share Capital

### (a) Authorized

Unlimited number of Common shares.

3,000,000 First Preference shares issuable in series.

1,314,672 Cumulative Redeemable Second Preference shares with a dividend rate of \$1.20. These shares are redeemable at \$17.00 per share and may be purchased for cancellation from a \$0.3 million annual purchase fund. These shares carry no voting rights until six quarterly dividends are in arrears.

8,000,000 Third Preference shares issuable in series. Each series shall be issued for a consideration of either \$25.00 (Canadian) or \$25.00 (U.S.) as determined by the board of directors of the Corporation.

1,000,000 Non-voting Fourth Preference shares issuable in series. These shares are convertible into Common shares at the option of the holder based on a formula that takes into consideration the market value of the Corporation's Common shares on The Toronto Stock Exchange on the last day of trading preceding the date of issue and the market value on the last day of trading preceding the date of the election to convert.

(b) Reservations of share capital

440,000 Common shares are reserved for issuance under the 1976 share purchase plans for employees. The purchase price of the Common shares is market value on the last business day preceding the date of issue.

975,137 Common shares are reserved for issuance under the 1995 stock option plan for employees. The purchase price of the shares is the average of the daily average of the high and low board lot trading prices on The Toronto Stock Exchange for the five trading days preceding the date the options were granted.

94,220 Common shares are reserved under the director's alternate compensation plan. The shares are issued at a price calculated as the average of the daily average of the high and low board lot trading prices on The Toronto Stock Exchange for the last five trading days of each quarter in which the director is entitled to compensation.

(c) Issued and fully paid as at December 31

	1996 (number of shares)	1995 (number of shares)	1996 (millions of Canadian dollars)	1995 (millions of Canadian dollars)
<b>Second Preference shares</b>	1,234,820	1,245,520	18.5	18.7
<b>Fourth Preference shares</b>	174,000	234,000	-	-
<b>Common shares</b>	30,288,579	30,277,778	139.4	137.7

(d) Changes during the year

The Corporation purchased for cancellation 10,700 Second Preference shares (1995 – 14,575 shares) which had been issued for \$0.2 million (1995 – \$0.2 million) at a cost of \$0.2 million (1995 – \$0.2 million) cash.

The Corporation purchased 60,000 Fourth Preference shares for cancellation (1995 – no shares). The cost of \$0.1 million was used to repay the balance of the officer's loan related to these shares.

The Corporation issued 6,363 Common shares when employee options were exercised at the granted price of \$13.55 (1995 – 18,500 Common shares at \$15.01), and under the director's alternate compensation plan 4,438 Common shares were issued at an average price of \$13.26 per share (1995 – 1,342 Common shares at average price of \$15.17 per share).

The Corporation received from officers \$1.7 million in repayments of loans granted under the Corporation's share purchase plan (Note 7(f)).

(e) Common share options issued and outstanding as at December 31

Exercise price	1996 (number of options)	1995 (number of options)
<b>\$ 15.01</b>	142,900	142,900
<b>\$ 13.55</b>	167,537	173,900
<b>\$ 18.77</b>	120,000	-
	<b>430,437</b>	<b>316,800</b>

During 1996 the Corporation granted 120,000 options to certain officers to purchase Common shares at an exercise price of \$18.77 (1995–173,900 options granted at price of \$13.55). These options allow the participants to purchase Common shares at a price that is not less than the average of the daily average of the high and low board lot trading prices on The Toronto Stock Exchange for the five trading days immediately preceding the date the options were granted. The options have a term of 10 years. Twenty-five percent of the options issued to a participant at any one time will become exercisable at the end of each of the first four years following the grant of the options. If a participant's outstanding loans under the Corporation's share purchase plans are less than two times his/her salary, the participant qualifies for a loan under the plan and the options have a term of 60 days.

(f) Loans receivable from officers and employees of \$6.0 million (1995–\$7.7 million) under the Corporation's share purchase plan have been classified as a reduction of shareholders' equity. Loan repayments will result in a corresponding increase in share capital. The loans are non-interest bearing and non-recourse, secured by 318,020 Common shares and 174,000 Fourth Preference shares (1995–434,610 Common shares and 234,000 Fourth Preference shares) issued under the Corporation's share purchase plans. The market value of the shares at December 31, 1996 was \$6.9 million (1995–\$5.6 million). The loans are repaid out of a portion of the dividends paid on the shares and mature at various dates between 1998 and 2005. At the December 31, 1996 market value, the Fourth Preference shares would be convertible to 38,343 Common shares.

(g) Restrictions exist in the payment of Common share dividends under the provisions attached to the bond debt (Note 6(a)). At current and projected operating and economic levels, these restrictions are not expected to prevent the payment of normal cash dividends.

(h) Earnings per share

Basic earnings per share are calculated using the weighted average number of shares outstanding for the year.

Fully diluted earnings per share are calculated under the assumption that all outstanding options were converted at the beginning of the year or at the date of issue, if later, and the funds derived from the options had been invested to produce an annual return of 7%, before applicable income taxes. The amount of income imputed, after income taxes, was \$0.2 million.

## 8 Unusual Items

Effective August 30, 1996, the Corporation sold the business and assets of the Celfortec division of Celfort Construction Materials Inc., which is 80% owned by the Corporation. The net proceeds were \$29.4 million resulting in a net gain to Jannock before tax of \$13.6 million (\$10.5 million after tax). The remaining account receivable on the asset sale of \$26.0 million was received in January 1997.

During 1996, the Vinyl Group underwent a reorganization to better align production capacity with current market demands. The charge to earnings of \$11.0 million, before a tax recovery of \$3.1 million, includes the costs to consolidate a number of fencing and siding operations, severance accruals and write downs to provide for impairment in certain fixed asset values.

In 1995, the Canadian brick operations recorded a similar charge to expense of \$6.0 million, before a tax recovery of \$2.4 million, to adjust production capacity to the level of the brick market which had prevailed in Canada for several years. Three Ontario plants: in Wallenstein; St. Thomas; and Mississauga were closed and the brick business in Estevan, Saskatchewan was sold.

Unusual items included in income are as follows:

(millions of Canadian dollars)	1996	1995
<b>Net gain on sale of Celfortec division assets</b>	13.6	-
<b>Reorganization expenses</b>	(11.0)	(6.0)
	2.6	(6.0)

## 9 Income Taxes

The variations from the basic statutory income taxes and the Corporation's effective income tax provisions are as follows:

(millions of Canadian dollars)	1996	1995
<b>Income tax provision at statutory rates</b>	32.4	14.7
<b>Permanent differences</b>	(2.0)	(0.4)
<b>Losses of Canadian operations not tax effected</b>	-	1.7
<b>Benefit of prior losses not previously recorded</b>	(0.9)	-
<b>Effect of lower U.S. tax rates</b>	(4.2)	(3.7)
<b>Large corporation tax</b>	0.3	0.6
	25.6	12.9

The current tax provision for the year was \$28.2 million (1995-\$15.3 million) and the deferred tax recovery was \$2.6 million (1995-\$2.4 million).

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## 10 Pension Costs and Obligations

The actuarial present value of accrued pension benefits attributed to services rendered prior to December 31, 1996 is estimated to be \$71.6 million (1995-\$67.4 million).

The estimated market-related value of pension fund assets available to meet these obligations as at December 31, 1996 was \$110.4 million (1995-\$106.9 million).

## 11 Commitments and Contingencies

(a) Operating lease commitments are as follows:

(millions of Canadian dollars)	1997	1998	1999	2000	2001
	7.7	5.5	4.8	3.8	3.1

(b) Capital expenditures committed at December 31, 1996 amounted to \$3.8 million.

(c) During 1992, a former 50% shareholder of Lantic Sugar Limited (Lantic Sugar) filed an action demanding payment from the Corporation of \$15.4 million together with interest and expenses of \$2.2 million, in respect of the sale by the Corporation to The British Columbia Sugar Refining Company, Limited (BC Sugar) of the initial 50% interest in Lantic Sugar. The former shareholder has

also stated that it has a right to claim 90% of any payment made by BC Sugar to the Corporation pursuant to an indemnification provision in the agreement of purchase and sale between the two parties as part of the consideration for the shares of Lantic Sugar. The Corporation, under an indemnification provision in the purchase agreement between the Corporation and BC Sugar, is indemnified by BC Sugar for the amount, if any, of any claim, expense, payment, loss, damage or liability suffered or incurred by the Corporation in excess of \$250,000.

Management is of the opinion that the claim of the former shareholder is without merit; however, should the former shareholder be successful in all or any part of the claim, management is of the opinion the indemnification from BC Sugar would protect the Corporation from damages in excess of \$250,000.

## 12 The Effect of Applying United States Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in Canadian dollars, in accordance with generally accepted accounting principles in Canada (Cdn. GAAP) which conform in all material respects with those in the United States (U.S. GAAP) except as follows:

### (a) Income Taxes

The Corporation adopted, for U.S. GAAP reporting purposes, Financial Accounting Standard No.109, "Accounting for Income Taxes" effective January 1, 1993 and the cumulative effect was charged to earnings in 1993. This Standard requires the use of the asset and liability method of accounting for income taxes, whereas the deferral method of accounting for income taxes is used under Cdn. GAAP. The cumulative effect as at December 31, 1996 amounted to a \$3.1 million decrease in retained earnings.

### (b) Post-Retirement Benefits Other than Pensions

The Corporation presents the adoption, for U.S. GAAP reporting purposes, of Financial Accounting Standard No. 106, "Employers' Accounting for Post-Retirement Benefits Other than Pensions" effective January 1, 1995. This requires the projected future cost of providing post-retirement benefits, such as health care costs and life insurance, to be recognized as an expense as employees render services instead of when paid. The effect for 1996 of adopting this accounting method would be a charge to earnings of \$1.0 million (\$0.6 million after tax). The cumulative effect of adopting this accounting method as at December 31, 1995 would have amounted to \$13.9 million (\$8.3 million after tax) and would have been charged to earnings in that year.

### STATEMENTS OF EARNINGS EFFECT

The following table reconciles net earnings for the years as reported in the accompanying consolidated statements of earnings to net earnings that would have been reported had the financial statements been prepared in accordance with U.S. GAAP.

(millions of Canadian dollars)	1996	1995
<b>Net earnings for the year under Cdn. GAAP</b>	<b>50.7</b>	<b>19.7</b>
<b>U.S. GAAP</b>		
Taxes (a)	-	-
Post retirement benefits (b)	(0.6)	(8.3)
<b>Net earnings for the year under U.S. GAAP</b>	<b>50.1</b>	<b>11.4</b>
<b>Earnings per share under U.S. GAAP</b>	<b>1.63</b>	<b>0.33</b>
<b>Earnings per share under Cdn. GAAP</b>	<b>1.65</b>	<b>0.61</b>

## BALANCE SHEETS EFFECT

The following table presents the balance sheet amounts in accordance with U.S. GAAP that are different from the amounts reported under Cdn. GAAP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(millions of Canadian dollars)	1996	1995
<b>Accounts payable and accrued liabilities</b>	197.2	155.2
<b>Deferred income taxes</b>	1.1	4.1
<b>Retained earnings</b>	162.3	128.8

### (c) Cash Flow

The definition of cash and equivalents under U.S. GAAP does not include short-term investments with an initial term of greater than 90 days, or current bank loans and overdrafts. Also, under U.S. GAAP, \$1.1 million of debt assumed on acquisitions in 1996 (1995 – \$1.2 million) would be treated as a non-cash investing and financing activity. These would have the following effect on the consolidated statements of changes in financial position:

(millions of Canadian dollars)	1996	1995
<b>Financing activities</b>		
Decrease in short-term investments	-	-
Decrease in bank indebtedness	(17.5)	(6.3)
Decrease in issue of long-term debt	(1.1)	(1.2)
	(18.6)	(7.5)
<b>Investing activities</b>		
Decrease in debt assumed on acquisition	1.1	1.2
	(17.5)	(6.3)

Had the consolidated statement of changes in financial position been prepared in accordance with U.S. GAAP, cash used for financing activities in 1996 would have been \$58.8 million (1995 – cash provided of \$27.9 million) and cash used for investing activities would have been \$51.2 million (1995 – \$80.2 million). Cash and equivalents under U.S. GAAP at December 31, 1996 would be \$10.7 million (1995 – \$7.8 million).

(d) As permitted by the Securities and Exchange Commission, the effects of applying proportionate consolidation for joint ventures are not presented. Information related to joint ventures is set out in Note 4.

(e) Stock-based compensation is measured using the intrinsic value-based method of accounting under which compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock.

# 13 Segmented Data

The Corporation operates in Canada and the United States in building products industries. The major business segments are the manufacture of vinyl, metal and brick products. The Other segment includes a division which manufactures construction materials such as extruded polystyrene insulation board and a division which is developing property for sale.

Operations and identifiable assets by industry segment and geographic region are presented below.

## (a) Industry Segments:

	VINYL		METAL		BRICK		OTHER		TOTAL	
(millions of Canadian dollars)	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Sales	356.7	304.7	629.1	614.8	235.9	200.8	17.6	27.9	1,239.3	1,148.2
Operating earnings (loss)										
before the following	29.9	9.6	42.9	41.9	27.7	14.6	(0.9)	(1.1)	99.6	65.0
Net gain from property development	-	-	-	-	-	-	1.5	5.3	1.5	5.3
Unusual items	(11.0)	-	-	-	-	(6.0)	13.6	-	2.6	(6.0)
	18.9	9.6	42.9	41.9	27.7	8.6	14.2	4.2	103.7	64.3
Corporate expenses									(9.2)	(8.9)
Operating earnings									94.5	55.4
Identifiable assets	209.7	187.9	269.4	279.9	173.0	164.5	67.3	53.3	719.4	685.6
Corporate assets									13.5	13.7
Total assets									732.9	699.3
Acquisitions	23.9	64.8	-	-	11.0	-	-	-	34.9	64.8
Capital expenditures	8.1	9.6	10.1	10.2	9.7	10.7	0.4	1.4	28.3	31.9
Corporate										0.1
Total capital expenditures									28.3	32.0
Depreciation	13.5	12.0	9.3	10.0	13.0	13.2	1.3	1.4	37.1	36.6
Corporate									0.2	0.2
Total depreciation									37.3	36.8

## (b) Geographic Segments:

	CANADA		UNITED STATES		TOTAL	
(millions of Canadian dollars)	1996	1995	1996	1995	1996	1995
Sales	618.2	600.1	621.1	548.1	1,239.3	1,148.2
Operating earnings						
before the following	39.6	22.9	60.0	42.1	99.6	65.0
Net gain from property development	1.5	5.3	-	-	1.5	5.3
Unusual items	6.8	(6.0)	(4.2)	-	2.6	(6.0)
	47.9	22.2	55.8	42.1	103.7	64.3
Corporate expenses					(9.2)	(8.9)
Operating earnings					94.5	55.4
Identifiable assets	351.9	362.4	367.5	323.2	719.4	685.6
Corporate assets					13.5	13.7
Total assets					732.9	699.3
Acquisitions	-	-	34.9	64.8	34.9	64.8
Capital expenditures	12.9	14.2	15.4	17.8	28.3	32.0
Depreciation	14.9	16.5	22.4	20.3	37.3	36.8

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# Management's Report to the Shareholders

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the financial statements. The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is composed of non-employee directors, meets regularly with financial management and external auditors to satisfy itself as to the reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual financial statements to be issued to shareholders.



B.W. JAMIESON

*Vice President, Finance and Chief Financial Officer*

*February 14, 1997*

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# Auditors' Report to the Shareholders

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We have audited the consolidated balance sheets of Jannock Limited as at December 31, 1996 and 1995 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and 1995, and the results of its operations and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in Canada.



COOPERS & LYBRAND, CHARTERED ACCOUNTANTS

*Toronto, Ontario, February 14, 1997*

# Ten-Year Financial Review

UNAUDITED

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
<b>OPERATING RESULTS</b> (millions of Canadian dollars)										
Sales	1,239.3	1,148.2	932.0	666.8	574.2	567.6	640.8	638.5	535.0	589.1
Operating earnings (loss)	94.5	55.4	59.3	33.6	1.4	(7.7)	37.2	81.4	84.7	99.1
Earnings (loss) before extraordinary items and discontinued operations	50.7	19.7	27.7	8.3	32.8	(17.7)	15.7	48.3	51.7	67.9
Net earnings (loss)	50.7	19.7	27.7	0.3	30.3	(32.4)	13.1	46.9	48.4	110.6
Dividends paid on Common shares	15.1	24.2	24.2	21.8	21.8	21.8	21.7	21.7	20.8	14.9
Dividends paid on Preference shares	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	2.1	2.7
Capital expenditures	28.3	32.0	26.6	23.0	19.0	15.1	37.5	19.9	29.5	33.9
Depreciation	37.3	36.8	31.1	26.5	24.6	24.1	24.0	20.8	21.3	14.9
<b>FINANCIAL POSITION</b> (millions of Canadian dollars)										
Working capital	163.3	141.5	134.6	121.9	65.7	(5.1)	70.9	84.4	75.2	60.7
Fixed assets - net	240.7	246.1	246.8	240.4	232.6	230.7	236.2	224.0	198.3	199.2
Total assets	732.9	699.3	656.7	551.9	519.6	547.6	728.3	580.2	511.6	518.7
Long-term debt	171.8	187.2	148.6	89.1	57.9	64.7	74.2	54.9	34.5	19.6
Common shareholders' equity	324.8	287.4	297.9	287.4	249.6	235.1	290.4	300.6	278.4	259.3
Preference shareholders' equity	18.5	18.7	18.9	19.1	19.2	19.6	19.9	20.4	20.9	36.1
<b>FINANCIAL RATIOS</b>										
Working capital	1.8:1	1.8:1	1.8:1	1.9:1	1.4:1	1.0:1	1.2:1	1.5:1	1.5:1	1.4:1
Return on Common shareholders' equity (%)	16.4	6.3	9.1	(0.5)	12.1	(12.8)	3.8	15.6	17.2	50.7
Net debt to total capitalization (%)	33	41	36	25	31	44	49	29	22	13
<b>SHARE DATA</b> (Canadian dollars per share, except where noted)										
Basic earnings (loss) before extraordinary items and discontinued operations	1.65	0.61	0.88	0.25	1.18	(0.73)	0.53	1.79	1.89	2.53
Basic earnings (loss) after extraordinary items and discontinued operations	1.65	0.61	0.88	(0.05)	1.08	(1.28)	0.43	1.71	1.74	4.18
Fully diluted earnings (loss) before extraordinary items and discontinued operations	1.63	0.61	0.88	0.25	1.18	(0.73)	0.53	1.79	1.89	2.47
Fully diluted earnings (loss) after extraordinary items and discontinued operations	1.63	0.61	0.88	(0.05)	1.08	(1.28)	0.43	1.71	1.74	4.07
Dividend paid per Common share	0.50	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.74	0.46
Equity	10.84	9.63	9.99	9.69	9.39	8.86	10.95	11.33	10.51	9.78
<b>Shares outstanding</b>										
Common (000s)	30,288	30,278	30,258	30,258	27,258	27,258	27,158	27,171	27,014	27,007
Second Preference (000s)	1,235	1,246	1,260	1,270	1,277	1,306	1,324	1,360	1,394	1,406
Fourth Preference (000s)	174	234	234	184	219					
Number of Common shareholders	2,025	2,228	2,313	2,471	2,679	2,863	3,105	3,387	3,613	3,918
<b>Price Range</b>										
<b>Common shares</b>										
High	19.40	17.38	22.88	20.00	18.50	17.88	19.75	22.00	23.50	25.75
Low	11.50	12.75	14.13	13.63	12.13	12.50	11.38	17.38	15.25	14.38
<b>Second Preference shares</b>										
High	17.90	17.25	17.00	16.50	15.00	13.75	13.75	14.25	14.75	15.50
Low	16.10	15.00	14.88	13.75	13.00	10.88	10.25	13.00	12.88	12.50

Joint venture interests which had been sold prior to 1994, primarily Lantic Sugar, have been accounted for on an equity basis.

# Quarterly Data

UNAUDITED

## SALES AND EARNINGS (millions of Canadian dollars, except per share data)

	Q1	Q2	Q3	Q4	1996 Total	Q1	Q2	Q3	Q4	1995 Total
Sales	222.1	340.5	369.4	307.3	1,239.3	227.4	311.6	327.0	282.2	1,148.2
Operating earnings	(2.6)	35.2	40.9	21.0	94.5	2.0	21.7	22.7	9.0	55.4
Net earnings	(7.1)	20.2	25.2	12.4	50.7	(3.4)	10.8	10.5	1.8	-19.7
Earnings per share	(0.25)	0.66	0.83	0.41	1.65	(0.13)	0.35	0.34	0.05	0.61

## SEGMENTED (millions of Canadian dollars, except where noted)

	Q1	Q2	Q3	Q4	1996 Total	Q1	Q2	Q3	Q4	1995 Total
Sales										
Vinyl Group	69.3	101.6	107.0	78.8	356.7	62.9	87.8	89.2	64.8	304.7
Metal Group	109.9	161.4	188.0	169.8	629.1	118.5	160.4	175.5	160.4	614.8
Brick Group	39.2	70.4	67.6	58.7	235.9	41.0	56.5	54.3	49.0	200.8
Insulation	3.7	7.1	6.8	-	17.6	5.0	6.9	8.0	8.0	27.9
Consolidated	222.1	340.5	369.4	307.3	1,239.3	227.4	311.6	327.0	282.2	1,148.2

	Q1	Q2	Q3	Q4	1996 Total	Q1	Q2	Q3	Q4	1995 Total
Operating Earnings										
Vinyl Group	2.6	12.5	11.7	3.1	29.9	0.9	3.3	4.5	0.9	9.6
Metal Group	0.6	13.1	17.9	11.3	42.9	3.4	12.0	14.7	11.8	41.9
Brick Group	(3.3)	11.5	11.8	7.7	27.7	(0.2)	7.2	4.1	3.5	14.6
Insulation	(1.2)	-	0.3	-	(0.9)	(0.8)	(0.2)	0.1	(0.2)	(1.1)
Corporate expenses	(1.7)	(2.3)	(2.3)	(2.9)	(9.2)	(2.2)	(2.1)	(2.2)	(2.4)	(8.9)
	(3.0)	34.8	39.4	19.2	90.4	1.1	20.2	21.2	13.6	56.1
Property Development	0.4	0.4	0.4	0.3	1.5	0.9	1.5	1.5	1.4	5.3
Unusual items	-	-	1.1	1.5	2.6	-	-	-	(6.0)	(6.0)
Consolidated	(2.6)	35.2	40.9	21.0	94.5	2.0	21.7	22.7	9.0	55.4

	Q1	Q2	Q3	Q4	1996 Total	Q1	Q2	Q3	Q4	1995 Total
Operating Margins (%)										
Vinyl Group *	3.8	12.3	10.9	3.9	8.4	1.4	3.8	5.0	1.4	3.2
Metal Group	0.5	8.1	9.5	6.7	6.8	2.9	7.5	8.4	7.4	6.8
Brick Group *	(8.4)	16.3	17.5	13.1	11.7	(0.5)	12.7	7.6	7.7	7.3
Consolidated	(1.2)	10.3	11.1	6.8	7.6	0.9	7.0	6.9	3.2	4.8

\* before Unusual items

# Share Trading Information

PER THE TORONTO STOCK EXCHANGE

## COMMON SHARES

Trading Statistics	High	Low	Close	Volume (thousands)
1996				
1st Quarter	14.13	11.50	12.13	2,366
2nd Quarter	14.70	12.13	13.05	959
3rd Quarter	15.50	12.85	15.50	906
4th Quarter	19.40	15.40	19.40	2,181
1995				
1st Quarter	17.38	14.25	16.75	2,425
2nd Quarter	17.00	15.00	15.25	1,096
3rd Quarter	16.00	14.63	14.63	3,123
4th Quarter	15.63	12.75	12.88	3,822

# Corporate Information

## Board of Directors

**R. JAY ATKINSON**<sup>1</sup>

Mississauga, Ontario  
President and  
Chief Executive Officer  
Jannock Limited  
Director since 1991

**ROY F. BENNETT**<sup>1,4</sup>

Toronto, Ontario  
Chairman of the Board  
Director since 1982

**J. LORNE BRAITHWAITE**<sup>3</sup>

Toronto, Ontario  
President and  
Chief Executive Officer  
Cambridge Shopping  
Centres Limited  
Director since 1986

**MICHAEL W. GUNN**<sup>4</sup>

Irving, Texas  
Senior Vice President,  
Marketing  
American Airlines, Inc.  
Director since 1995

**JAMES F. HANKINSON**<sup>3</sup>

Toronto, Ontario  
President and  
Chief Executive Officer  
New Brunswick Power  
Corporation  
Director since 1996

**J. HOWARD HAWKE**<sup>2</sup>

Toronto, Ontario  
Company Director  
Director since 1973

**VICTOR C. HEPBURN**

Toronto, Ontario  
Executive Vice President  
Jannock Limited  
Director since 1991

**ROBERT W. KORTHALS**<sup>2,4</sup>

Toronto, Ontario  
Company Director  
Director since 1987

**H. GORDON MACNEILL**<sup>1,4</sup>

Toronto, Ontario  
Chairman of the Board  
Wajax Limited  
Director since 1976

**GEORGE E. MARA, C.M.**<sup>1</sup>

Toronto, Ontario  
Vice Chairman of the Board  
Jannock Limited  
Director since 1973

**EILEEN A. MERCIER**

Toronto, Ontario  
President  
Finvoy Management Inc.  
Director since 1996

**CHARLES E. SHULTZ**<sup>3,4</sup>

Calgary, Alberta  
Chairman and  
Chief Executive Officer  
Dauntless Energy Inc.  
Director since 1995

**DONALD R. SOBEY**<sup>1,3</sup>

Stellarton, Nova Scotia  
Chairman of the Board  
Empire Company Limited  
Director since 1978

<sup>1</sup> Member of the Executive Committee

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Human Resources  
and Compensation Committee

<sup>4</sup> Member of the Nominating and  
Corporate Governance Committee

## Officers of the Company

**CORPORATE****ROY F. BENNETT**

Chairman of the Board

**GEORGE E. MARA, C.M.**

Vice Chairman of the Board

**R. JAY ATKINSON**

President and  
Chief Executive Officer

**VICTOR C. HEPBURN**

Executive Vice President

**BRIAN W. JAMIESON**

Vice President, Finance and  
Chief Financial Officer

**DALE H. KERRY**

Vice President,  
Human Resources

**R. HAROLD WEIR**

Vice President  
General Counsel  
and Secretary

**R. JOHN SLATTERY**

Corporate Treasurer

**KAREN A. MURPHY**

Assistant Secretary

**MICHAEL A. RISSO**

Vice President

**ROBERT H.R. DRYBURGH**

Vice President

## Business Groups

**VINYL GROUP****M.A. RISSO**

President

**G.A. ACINAPURA**

Executive Vice President  
Fabricated Products

**R.G. ROWLAND**

Executive Vice President  
Siding

**D.I. DOUGLASS**

Vice President and  
Chief Financial Officer

**S.C. BROWN**

President  
Armor Bond Building  
Products

**R.A. KELLER, JR.**

President  
Heartland Building Products

**W.C. KINSEY**

President  
Bird Vinyl Products

**D.H. LAWRENCE**

President  
Outdoor Technologies

**D.N. LEFKOWITZ**

Senior Vice President  
Sales and Marketing  
Heartland Building Products

**G.R. THOMSON**

President  
Kensington Windows

**V.W. WEBER**

President  
Master Shield Building  
Products

**METAL GROUP****JENISYS ENGINEERED  
PRODUCTS****R.H.R. DRYBURGH**

President

**C.M. PHILLIPS**

Vice President, Finance

**J.A. PAGE**

President, Vicwest Division

**J.G. WATSON**

President, Armtec Division

**J.R. SKULL**

President, Westeel Division

**D.O. CARTER**

Vice President and  
General Manager  
Pacific Westeel Division

**S. STADNYCKYJ**

Vice President and General  
Manager, P.G. Bell Division

**JENISYS ENGINEERED  
PRODUCTS, INC.****R.H.R. DRYBURGH**

President

**J.A. PAGE**

President, Vicwest  
U.S. Operations

**FERRUM INC.****R.G. STEWART**

President  
Standard Tube Division  
Sonco Steel Tube Division

**F. RAFUSE**

Vice President, Finance

**BRICK GROUP****V.C. HEPBURN**

President

**C.J. MCEWEN**

Vice President  
Administration

**D.M. FASKEN**

Vice President  
Jannock Properties

**S.R. POXON**

President  
Canada Brick Division  
St. Lawrence Brick Division

**C. BARISICH**

President and General  
Manager  
U.S. Brick, Michigan Division

**W.F. HARRISON, JR.**

President and General  
Manager  
U.S. Brick, Kentucky Division

**R.W. ROHLFS**

President and General  
Manager  
U.S. Brick, Texas Division

**S.B. BEUCHLER**

President and General  
Manager  
Richtex

**W.R. EPPS**

President and General  
Manager  
Boren Brick

**R.W. BAUER**

President and General  
Manager  
Real Brick Products

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# Offices

## CORPORATE OFFICE

Suite 5205, Scotia Plaza  
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Toronto, Ontario M5H 3Y2  
Tel.: (416) 364-8586  
Fax: (416) 364-9342

## GROUP OFFICES

### VINYL GROUP

Foster Plaza Seven  
661 Andersen Drive  
Pittsburgh, Pennsylvania  
15220-2746  
Tel.: (412) 928-5740  
Fax: (412) 928-5745

### METAL GROUP

Jenisys Engineered Products  
1296 South Service Road West  
Oakville, Ontario L6L 5T7  
Tel.: (905) 825-5191  
Fax: (905) 825-0536

Jenisys Engineered  
Products, Inc.  
9000 Wessex Place, Suite 201  
Louisville, Kentucky 40222  
Tel.: (502) 339-7222  
Fax: (502) 339-8980

Ferrum Inc.  
14 Holtby Avenue  
Brampton, Ontario L6X 2M3  
Tel.: (905) 451-2400  
Fax: (905) 451-5632

### BRICK GROUP

P.O. Box 668  
Streetsville, Ontario L5M 2C3  
Tel.: (905) 819-2900  
Fax: (905) 821-7959

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# Investor Information

## TRANSFER AGENT AND REGISTRAR

Montreal Trust Company  
Montreal, Toronto and  
Vancouver

Shareholders wishing  
information concerning share  
ownership or dividends, please  
write or call our transfer agent:

Montreal Trust Company  
Shareholder Services  
151 Front Street West, 8th Floor  
Toronto, Ontario M5J 2N1  
(416) 981-9500

## CO-TRANSFER AGENT

The Bank of Nova Scotia  
Trust Company, New York

## STOCK LISTINGS AND SYMBOLS

The Toronto Stock Exchange  
The Montreal Exchange

- Common Shares: JN
- \$1.20 Second Preference Shares:  
JN.PR.C
- NASDAQ
- Common Shares: JANNF

## INVESTOR CONTACT

Institutional investors,  
brokers, security analysts  
and others desiring financial  
information about  
Jannock should contact:

Mr. Brian W. Jamieson  
Vice President, Finance and  
Chief Financial Officer  
Tel.: (416) 364-8586  
Fax: (416) 364-5911  
E-Mail: [bjamie@jannock.com](mailto:bjamie@jannock.com)

## EN FRANÇAIS

La version française de ce rapport peut être obtenue  
sur demande écrite au secrétaire de la société.

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#### **A BETTER PLACE TO LIVE**

Making the world a better place in which to live. That's what building products do—help create a healthier, safer and more comfortable environment in which people can live and work.

But the natural environment deserves even more care and respect. For this reason, Jannock not only complies with all regulatory standards, but it also encourages each of its facilities to be constantly aware of its environmental responsibility.

